INDEPENDENT OFFICES APPROPRIATIONS FOR 1953

HEARINGS

BEFORE THE

SUBCOMMITTEE OF THE COMMITTEE ON APPROPRIATIONS HOUSE OF REPRESENTATIVES

EIGHTY-SECOND CONGRESS

SECOND SESSION

SUBCOMMITTEE ON INDEPENDENT OFFICES

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PART 3

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INDEPENDENT OFFICES APPROPRIATIONS FOR 1953

WEDNESDAY, FEBRUARY 6, 1952.

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SALARIES AND EXPENSES

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$2,032,143,000	$1,605,897,750	$1,312,000,000
Transferred to—			
"Grants to States, surveys and school construction, Office of Education," Federal Security Agency, pursuant to sec. 209 (d) of Public Law 815, 81st Cong.		−96,000	

Amounts available for obligation—Continued

	1951 actual	1952 estimate	1953 estimate
Transferred to—Continued			
"Maintenance and operation of schools, Office of Education, Federal Security Agency, 1951," pursuant to sec. 8 (c) of Public Law 874, 81st Cong.		−$27,200	
Adjusted appropriation or estimate	$2,032,143,000	1,605,774,550	$1,312,000,000
Applied to contract authorization	−414,000,000	−340,000,000	−57,000,000
Contract authorization	300,150,000		
Prior year balances reappropriated	57,271,317	40,993,089	
Reimbursements from other accounts	1,186,248	1,200,000	1,200,000
Total available for obligation	1,976,750,565	1,307,967,639	1,256,200,000
Balance reappropriated for subsequent year	−40,993,089		
Unobligated balance, estimated savings (contract authority)	−10,553,300		
Obligations incurred	1,925,204,176	1,307,967,639	1,256,200,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Operations (accrued cost basis):			
(*a*) Source and fissionable materials	$138,272,654	$254,221,500	$341,500,000
(*b*) Weapons	141,515,021	200,647,900	228,000,000
(*c*) Reactor development	40,572,011	65,204,000	92,400,000
(*d*) Physical research	31,488,918	37,265,600	43,100,000
(*e*) Biology and medicine	20,615,908	23,285,500	24,600,000
(*f*) Community operations	4,037,086	2,979,900	2,800,000
(*g*) Program direction and administration	23,800,838	31,366,974	35,400,000
Total operating costs	400,302,436	614,971,374	767,800,000
Reimbursable costs	1,186,248	1,200,000	1,200,000
Increase or decrease (−) in:			
Stores inventories	−1,451,253	5,950,372	3,202,000
Special reactor materials	6,396,657	−786,396	5,561,000
Other special materials	243,076	2,019,895	2,037,000
Working capital	10,685,960	−18,876,223	700,000
Unliquidated obligations	50,385,424	118,172,960	22,200,000
Payments to or from (−) other agencies	−36,073	−263,000	
Total operating obligations	467,712,475	722,388,982	802,700,000
2. Plant and equipment (obligations):			
(*a*) Source and fissionable materials facilities	1,247,494,197	359,962,271	311,400,000
(*b*) Weapons facilities	103,565,791	114,314,416	55,000,000
(*c*) Reactor development facilities	52,556,879	50,147,317	44,100,000
(*d*) Physical research facilities	5,341,568	4,894,115	5,985,000
(*e*) Biology and medicine facilities	5,184,282	4,020,900	515,000
(*f*) Community facilities	11,725,048	16,276,022	5,500,000
(*g*) Administrative facilities	200,776	48,984	
(*h*) Equipment not included in construction projects	31,423,160	35,914,632	31,000,000
Total plant and equipment obligations	1,457,491,701	585,578,657	453,500,000
Obligations incurred	1,925,204,176	1,307,967,639	1,256,200,000

NOTE.—The Commission's estimates for operations (as distinguished from the plant and equipment estimates) are based on costs to be accrued during each of the fiscal years, converted in total to the required obligational authority. Operating costs shown do not include provision for depreciation of plant and equipment. Estimates for plant and equipment are shown on an obligation basis; the relationship between obligations and accrued costs for plant and equipment is shown in the statement of program and performance, as contained in the 1953 budget document.

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions	6,851	7,306	7,505
Full-time equivalent of all other positions	29	37	37
Average number of all employees	5,249	6,248	7,140
Average salaries and grades:			
General schedule grades:			
Average salary	$4,624	$5,267	$5,372
Average grade	GS-7.5	GS-7.9	GS-8.0
Crafts, protective, and custodial grades:			
Average salary	$3,075	$3,487	$3,565
Average grade	CPC-6.1	CPC-6.4	CPC-6.3
Ungraded positions: Average salary	$3,452	$3,518	$3,631
DIRECT OBLIGATIONS			
01 Personal services:			
Permanent positions	$23,202,578	$31,067,535	$36,076,416
Part-time and temporary positions	215,485	271,833	268,445
Regular pay in excess of 52-week base		119,490	138,755
Payment above basic rates	1,452,902	1,752,391	2,144,583
Payments to other agencies for reimbursable details	5,838	13,751	7,400
Total personal services	24,876,803	33,225,000	38,635,599
02 Travel	1,680,051	3,059,299	3,345,927
03 Transportation of things	2,532,697	3,061,719	1,407,499
04 Communication services	1,769,320	1,852,748	2,134,970
05 Rents and utility services	43,261,821	70,490,547	55,616,911
06 Printing and reproduction	280,841	411,403	399,920
07 Other contractual services	353,655,328	548,610,095	592,401,652
Services performed by other agencies	26,244	70,711	62,894
08 Supplies and materials	37,614,898	59,990,391	107,077,732
09 Equipment	31,423,160	35,914,632	31,000,000
10 Lands and structures	1,426,068,541	549,664,025	422,500,000
11 Grants, subsidies, and contributions	816,162	226,450	200,000
13 Refunds, awards, and indemnities	1,111	10,500	10,500
14 Taxes and assessments	10,951	80,119	106,396
Unvouchered		100,000	100,000
Total direct obligations	1,924,017,928	1,306,767,639	1,255,000,000
OBLIGATIONS PAYABLE OUT OF REIMBURSEMENTS FROM OTHER ACCOUNTS			
07 Other contractual services	1,186,248	1,200,000	1,200,000
Obligations incurred	1,925,204,176	1,307,967,639	1,256,200,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$808,222,695	$1,835,506,438	$1,442,274,077
Obligations incurred during the year	1,925,204,176	1,307,967,639	1,256,200,000
	2,733,426,871	3,143,474,077	2,698,474,077
Deduct:			
Reimbursable obligations	1,186,248	1,200,000	1,200,000
Unliquidated obligations, end of year	1,835,506,438	1,442,274,077	947,274,077
Total expenditures	896,734,185	1,700,000,000	1,750,000,000
Expenditures are distributed as follows:			
Out of current authorizations:			
Out of appropriations to liquidate contract authorization	334,592,741	300,000,000	57,000,000
Out of new obligational authority	318,173,036	400,000,000	415,000,000
Out of prior authorizations	243,968,408	1,000,000,000	1,278,000,000

Mr. GORE. The committee is pleased to have with us this morning Mr. Gordon Dean, Chairman of the Atomic Energy Commission, accompanied by Mr. Glennan, Commissioner; Mr. Murray, Commissioner; Mr. Smyth, Commissioner; Mr. Boyer, General Manager; Mr. Williams, Deputy General Manager; Mr. Farrell, Assistant General Manager; Mr. Hollis, General Counsel; Mr. Johnson, Director,

Division of Raw Materials; Mr. Cook, Director, Division of Production; Mr. Towne, Division of Production; Mr. Shaw, Manager, Hanford Operations Office; Mr. Nelson, Manager, Savannah River Operations Office; Mr. Sapirie, Manager, Oak Ridge Operations Office; Colonel Fields, Director, Division of Military Application; Mr. Tyler, Manager, Sante Fe Operations Office; Mr. Cole, Sante Fe Operations Office; Mr. DiLuzio, Santa Fe Operations Office; Mr. Bloch, Director, Division of Construction and Supply; Mr. Taylor, Division of Construction and Supply; Mr. Hafstad, Director, Division of Reactor Development; Mr. Robinson, Division of Reactor Development; Mr. Johnson, Director, Division of Research; Mr. McDaniel, Deputy Director, Division of Research; Dr. Warren, Director, Division of Biology and Medicine; Mr. Salisbury, Director, Division of Information Services; Mr. Waller, Director, Division of Organization and Personnel; Mr. Noble, Controller; and Mr. McCarthy, Assistant Controller for Budgets.

Mr. Dean, do you have a statement for us?

General Statement

Mr. Dean. I have an unclassified statement here.

With the permission of the committee I should like to insert in the record a brief general statement concerning the Commission's program and budget estimates. I would then like to go off the record in order to make a classified statement, containing more detailed information in a number of important respects than is possible in an unclassified statement.

REVIEW OF ATOMIC ENERGY DEVELOPMENTS SINCE MID-1951

Several months have passed since we last appeared before your committee. Perhaps it would be helpful to mention some of the more important developments in the atomic energy program during the last 6 months. Some of these have not only influenced the budget estimates before you today, but will also lead to substantial additional expenses in fiscal years 1953, 1954, and beyond.

First, analysis of the results of the weapon tests at Eniwetok last spring and in Nevada last fall has both confirmed and accelerated the advances being made in weapon research and development.

Second, the production of fissionable materials has continued to increase and at lower unit costs. The output of these materials and the production of weapons continued in accordance with the schedules set for the year by the President under the provisions of the Atomic Energy Act.

Third, the outlook for increased supplies of uranium ore, here and abroad, has continued to improve. This factor made possible a careful joint study, begun last spring by the Atomic Energy Commission and the Department of Defense, to determine the extent to which the presently authorized capacity to produce plutonium and uranium 235 might be further increased. On January 17, 1952, the President announced his approval of an expansion program.

While these appear to be the most significant recent events from our present point of view, there have of course been many other vital developments which might be mentioned. These are concerned es-

pecially with the peacetime future of atomic energy. In the rapidly widening field of reactor development, the experimental production of electricity from a nuclear reactor has been announced recently at the reactor testing station. Industry has demonstrated an interest in exploring the problems of private enterprise development of this new source of energy and preliminary reports have been received recently from three of the four industrial teams that are now appraising the technical and economic aspects of power-materials producing reactors.

In the field of physical research we are making a successful effort during this period of national emergency to bring about closer contact between the basic research work in the educational institutions and the research activities of the Commission. The biology and medicine program has provided the radiological monitoring necessary to execute the continental weapon tests and is continuing to develop means of protecting people from radiation. New scientific avenues have been opened to the great questions of treating cancer in human beings and of understanding the process of photosynthesis in plants. Also, some progress has been made in understanding the source of atomic energy, namely, those forces which act to hold the atomic nucleus together.

IMPACT OF THE PROPOSED EXPANSION PROGRAM

The estimates for fiscal year 1953 that are being considered by the committee today do not provide any funds for the proposed expansion program just mentioned. The estimates for this purpose are now being prepared and are expected to be presented to the Congress soon. The expansion of facilities is now roughly estimated to cost between $5 and $6 billion. While the program's impact will be spread out over several years, there will be some expenses before the end of the present fiscal year and expenses will mount in fiscal year 1953 to proceed with procurement and construction. In order therefore to initiate this program and to proceed with site selection, advance procurement and preliminary design, it will be necessary shortly, first, to request the Congress for substantial additional obligation authority this fiscal year, and, second, to amend the 1953 estimates now before the committee.

Because the tangible results of the proposed expansion program, as measured in additional fissionable materials and an increased weapon stockpile, will not be forthcoming for some years, it is vital in the interim that the presently authorized program be carried forward as rapidly and effectively as possible. The estimates for fiscal year 1953 being considered today cover the continuing requirements of the present program.

MAIN FEATURES OF THE 1953 ESTIMATES

In the 1953 budget statement before the committee we are requesting $1,255 million for new obligational authority and $57 million in cash to liquidate obligations incurred under contract authority in prior years, or a total of $1,312 million. When expressed in terms of costs (or expenses) to be incurred in fiscal year 1953, the budget estimates represent costs for operating purposes of $768 million and costs for plant and equipment of $976 million. A reconciliation of these costs with the request for obligational authority is presented in the budget estimate.

It may be seen that operating costs in fiscal year 1953 will increase about $153 million, or by 25 percent, above those in fiscal year 1952. Plant and equipment costs, however, are estimated to decline $124 million, or by 11 percent, below those in the preceding year. This decline in plant and equipment costs would be more than offset by the additional expenses of the proposed expansion program if funds for this purpose are authorized by the Congress.

The 25 percent increase in fiscal year 1953 operating costs is spread largely among the programs of source and fissionable materials, weapons and reactor development. Expenses for raw materials are expected to rise appreciably in fiscal year 1953 as the result of new sources of supply, increased production from present sources and increases in prices. Expenses for fissionable materials are expected to rise above fiscal year 1952, in large part because of the initial operation of new production facilities. (Progress in the construction of major facilities will be described later by the Director of Production.) The expenses for the weapons program are expected to increase above fiscal year 1952 because of the greater supply of fissionable material available for fabrication into weapons and the number of weapons and weapon types being manufactured. The expenses of the reactor development program are expected to rise above fiscal year 1952 as most phases of the program to develop improved reactors for the production of materials, advanced types of reactors for submarine propulsion, and general reactor research and development continue to broaden. The expenses of the physical research and biology and medicine programs are expected to increase only moderately because of limitations of available scientific manpower.

The 1953 estimates before you include $454 million of obligational authority for plant and equipment. The greater part of this is $284 million for the Savannah River project, the amount by which our supplemental request was reduced last fall. The remaining $170 million is for a wide variety of continuing and new projects, for the most part required in our weapons, reactor development, and fissionable materials activities.

SUMMARY OF BUDGET BREAKDOWN

Mr. GORE. At this point it might be well for Mr. McCarthy to summarize the dollar breakdown of the budget.

Mr. MCCARTHY. I would like to point out first, if I may, the books of justification which we have submitted to the committee. We have submitted three volumes. Volumes I and II cover our operations, and volume III covers our plant and equipment. We have attempted this year to insert both the classified and unclassified information in a single book, which we hope will make it a little better than it has been in previous years, when they were in different books and we had to move from one book to the other.

The classified material is on the light green paper, and the unclassified is on the white. We have previously furnished to the committee copies of the unclassified justifications and separate sets of classified material for the committee's use.

I would suggest that pages 1 through 15 should be inserted in the record as a summary of the budget breakdown.

Mr. GORE. Those will be inserted at this point in the record.

(The matter above referred to is as follows:)

BUDGET ESTIMATES FOR FISCAL YEAR 1953

GENERAL STATEMENT

Appropriation requested

An appropriation of $1,312,000,000 is required to provide for the 1953 estimates. The amount requested for new obligations in 1953 is $1,255,000,000. The remaining $57,000,000 is required to liquidate obligations incurred under contract authority in prior years. The appropriation of this amount will practically complete the financing of all contract authority amounting to $1,566,224,628 granted the Commission for the fiscal years 1948 through 1951. No new contractual authority was granted for 1952 and none is being requested for 1953.

Comparison of estimated obligations

Actual obligations in 1951 and estimated obligations for 1952 and 1953, shown separately for operations and additions to plant and equipment, compare as follows:

[In millions of dollars]

	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Operations	$467.7	$722.4	[1] $802.7
Plant and equipment	1,475.5	585.6	453.5
Total	1,925.2	1,308.0	[1] 1,256.2

[1] Includes an estimated $1.2 million of reimbursable work for other agencies, for which an appropriation is not requested.

Cost-performance presentation

The Commission's budget for fiscal year 1953 is the third annual budget to be presented on a "cost-performance" basis. The funds required for operations and for plant and equipment are presented separately and in a different manner.

Operations.—For each of the several programs into which the Commission's activities have been grouped, the funds required for operations are expressed in terms of incurred costs. These costs include the expense of labor, materials, and services actually to be consumed during the year for each operating activity. Not included in the budgeted costs are the depreciation expenses applicable to the various fixed assets used in each activity, although depreciation expenses and reserves are recorded in the Commission's accounts and shown in its financial statements.

The amount of obligations to be incurred for operations has been determined by adding to or deducting from the total of the operating costs estimated for each program, the estimated costs of reimbursable work and the estimated net increases or decreases, respectively, in inventories, cash working funds, unliquidated obligations, and transfers to or from other agencies.

Plant and equipment.—The obligational authority required during 1953 for plant and equipment has been estimated in terms of the amounts of contracts and orders to be placed during the year for this purpose. The costs to be incurred during the year for plant and equipment are also shown, as well as the resulting changes in working capital and unliquidated obligations for this work. The appropriation amount requested for plant and equipment, however, is based directly on the requirement for new obligational authority, and does not depend upon the rate at which construction costs are expected to be incurred during the year.

SUMMARY OF OPERATING PROGRAMS

The operating activities carried on by the Commission and its contractors are grouped in terms of five major programs and two subsidiary or supporting programs. Set forth below is a brief analysis of the estimated costs to be incurred for each of these operating programs, and of the other factors which determine the total obligational authority required for operations. More detailed information is provided in the justifications set forth in subsequent pages.

Operating costs

Total operating costs in 1953 are estimated as $767.8 million, compared with $615 million expected to be incurred in 1952, and $400.3 million actually incurred in 1951.

1. *Source and fissionable materials program.*—The production of source and fissionable materials begins with the exploration for and procurement of uranium ores and concentrates. These are refined into feed materials for the gaseous diffusion plants at Oak Ridge, which produce uranium 235, and for the reactors at Hanford, which produce plutonium. The amounts of these fissionable materials produced are the limiting factor in the production of atomic weapons. Development work at each manufacturing step is carried out with the aim of improving efficiency and product quality in both existing plants and those under construction.

The operating costs in 1953 for this program are estimated at $341.5 million, compared with $254.2 million in 1952. Increased quantities of both raw materials and fissionable materials will be procured or produced in 1953.

2. *Weapons program.*—The weapons program is concerned with the production of atomic weapons and their maintenance in a state of constant readiness. To this end, research, development, and testing are also carried on in order to improve existing weapon types, devise new types, and enlarge the body of fundamental scientific knowledge related to the use of nuclear energy in weapons.

Operating costs of the weapons program are estimated at $228 million in 1953, compared with $200.6 million estimated for 1952. Increased numbers of weapons will be produced in 1953; weapon testing activities will be continued; and the personnel strength of the principal weapons laboratories at Los Alamos and Sandia, in New Mexico, will be higher than in 1952.

3. *Reactor development program.*—Major emphasis in reactor development is directed to increasing the output and efficiency of reactors for the production of fissionable material, including both existing reactors and those under construction; developing reactors of radically changed design for this same purpose; and providing prototype reactors for the propulsion submarines and military aircraft. These efforts contribute to the longer range objective of economical production of electric power. Extensive research is also devoted to general problems of reactor design, such as development of new materials, shielding, and systems of heat transfer and chemical processing. While maximum use is made of Commission-owned facilities, in 1953 more work will be carried out by industrial contractors in their own plants and laboratories.

Operating costs for reactor development in 1953 are estimated as $92.4 million, compared with $65.2 million estimated for 1952.

4. *Physical research program.*—Research in the physical sciences of physics, chemistry, metallurgy, and mathematics seeks to provide fundamental knowledge and understanding as a basis for future atomic energy achievement. This research is carried on in the Commission's laboratories and to an increasing degree is supported at numerous universities and colleges throughout the United States.

Operating costs in 1953 for physical research are estimated as $43.1 million, compared with $37.3 million estimated for 1952. Much of the increase represents the cost of nuclear studies to be undertaken with new large-scale research instruments.

5. *Biology and medicine program.*—The Commission's primary concern in the field of biology and medicine is to determine the nature and extent of radiation and other atomic energy hazards; to prescribe adequate protective measures for the Commission's operations; and to provide relevant information to its contractors, the Federal Civil Defense Administration, and the Department of Defense. Research on problems specifically related to these responsibilities and on the whole broad problem of the reactions of living organisms to ionizing radiation is carried on in Commission laboratories and supported at a large number of universities, colleges, and hospitals. Also supported or encouraged is the application of radioactive materials to biological and agricultural research and to the study and treatment of cancer.

The estimated operating costs to be incurred in 1953 for biology and medicine are $24.6 million, compared with costs of $23.3 million expected in 1952.

6. *Community operations.*—The communities of Los Alamos, N. Mex., Oak Ridge, Tenn., and Richland, Wash., and certain housing at other locations, are operated to provide essential support for the weapons and source and fissionable materials programs. The costs of operating and maintaining the housing, commercial facilities, public utilities, schools, and other municipal services are largely offset by revenues.

The estimated net costs to be incurred in 1953 for community operations are $2.8 million, compared with $3 million in 1952.

7. *Program direction and administration.*—The salaries and other expenses of Commission personnel engaged in general management, executive direction, and

technical supervision of program operations, the negotiation and administration of contracts, and other related administrative activities, are grouped together under the general heading of program direction and administration. The salaries and other expenses of Commission personnel engaged in nonadministrative activities, such as safeguarding shipments of fissionable materials and property, and providing police and fire protection at plants and communities, are included under the programs to which their work relates. The Commission administers its widely scattered operations through the Washington headquarters office, eight operations offices, and more than a score of local area offices.

The estimated costs of $35.4 million to be incurred in 1953 for program direction and administration compare with costs of $31.4 million estimated for 1952.

8. *Other obligational requirements for operations.*—In addition to the operating costs summarized above, obligational requirements are also affected by the following:

(*a*) Costs of reimbursable work to be performed for other agencies are expected to amount to $1.2 million in 1953, the same amount as in 1951 and 1952. Although these reimbursable costs increase the total obligations to be incurred they are offset by reimbursements in the same amount in arriving at the appropriation request.

(*b*) Stores inventories must be increased $3.2 million in 1953 to supply the expanding requirements of the operating programs. In 1952 they will show an estimated increase of $6 million compared with a decrease of $1.5 million in 1951. The total value of stores inventories at the end of 1953 will be $85,378,556.

(*c*) Special reactor materials being stockpiled for future use are expected to increase $5.6 million in 1953, compared with an estimated decrease of $0.8 million in 1952 and an increase of $6.4 million in 1951. The total value of such inventories at the end of 1953 will be $18,292,504.

(*d*) Other special materials, being stockpiled for future use for purposes other than construction of reactors, will increase in 1953 by an estimated $2 million, the same as the estimated increase for 1952. The increase in 1951 was $0.2 million. The total value of these special materials inventories at the end of 1953 will be $6,714,532.

(*e*) Working capital advances to operating contractors will increase by an estimated $0.7 million in 1953. An estimated decrease of $18.9 million is expected in 1952, compared with an increase of $10.7 million in 1951.

(*f*) Unliquidated obligations for operations will increase by an estimated $22.2 million in 1953. The estimated increase for 1952 is $118.2 million and the actual increase in 1951 was $50.4 million. This continued growth in unliquidated obligations reflects the increasing annual cost of the Commission's production and research programs and the fact that most of the contracts for operation of Commission plants and laboratories are executed in the year preceding that in which the costs will be incurred. The cost of the following year's operations under such contracts is therefore included in the unliquidated obligations outstanding at the close of the fiscal year.

SUMMARY OF PLANT AND EQUIPMENT PROGRAMS

Plant and equipment obligations

The estimated obligational authority required in 1953 for plant and equipment is $453.5 million. Obligations in 1952 for this purpose are expected to be $585.6 million, compared with actual obligations in 1951 of $1,457.5 million.

The obligational authority required for each of the plant and equipment programs is summarized below.

1. *Source and fissionable materials facilities.*—Obligational authority of $311.4 million is requested for source and fissionable materials facilities in 1953. An estimated $360 million will be obligated for this purpose in 1952, compared with actual obligations of $1,247.5 million in 1951.

The $284.2 million requirement for the Savannah River plant project represents more than half of the entire request for plant and equipment. Appropriation of this amount would bring to $1,180 million the obligational authority granted for this over-all project. The remaining $27.2 million for source and fissionable materials facilities is required for numerous projects which will supplement or improve major facilities already in use or under construction, mainly at Hanford, Wash.; Oak Ridge, Tenn.; and Fernald, Ohio.

2. *Weapons facilities.*—New obligational authority of $55.0 million is required in 1953 for weapons facilities. Obligations of $114.3 million are expected to be incurred in 1952, compared with actual obligations of $103.6 million incurred for weapons facilities in 1951.

Most of the $55.0 million request is required for projects initiated at numerous sites in prior years. The major new project to be undertaken is a new building for the technical area at Los Alamos, for which $6.9 million is required.

3. *Reactor development facilities.*—The obligational authority required in 1953 for reactor development facilities is $44.1 million. In 1952 it is expected that $50.1 million will be obligated for this purpose, compared with actual obligations of $52.6 million in 1951.

Approximately $37.1 million of the $44.1 million requested is required for the continuation, initiation or completion of construction work on a number of experimental and prototype reactors designed to produce fissionable materials or to provide power for submarine and aircraft propulsion. The remaining $7.0 million is required for chemical processing facilities and a variety of small projects, principally at the Oak Ridge and Argonne National Laboratories, the Knolls Atomic Power Laboratory, and the Reactor Testing Station in Idaho.

4. *Physical research facilities.*—For physical research facilities obligational authority of $6.0 million is required in 1953. It is expected that obligations incurred for this purpose during 1952 will amount to $4.9 million; actual obligations of $5.3 million were incurred in 1951.

The request includes $2.7 million for a research reactor and $3.3 million for various improvements and additions to buildings and equipment, principally for the Radiation Laboratory at Berkeley and the Oak Ridge National Laboratory.

5. *Biology and medicine facilities.*—Obligational authority of $0.5 million is requested for biology and medicine facilities in 1953, compared with estimated obligations of $4.0 million in 1952 and actual obligations of $5.2 million in 1951. The funds are required for improvements at several Commission installations.

6. *Community facilities.*—The requested obligational authority for community facilities amounts to $5.5 million in 1953. It is expected that $16.3 million will be obligated for this purpose in 1952, compared with actual obligations of $11.7 million in 1951.

The requested funds are for additions to three elementary school buildings at Richland, rehabilitation of temporary housing units at Oak Ridge, and miscellaneous capital improvements at these communities and Los Alamos.

7. *Administrative facilities.*—No funds are requested for 1953 for administrative facilities.

8. *Equipment not included in construction projects.*—The requested obligational authority for equipment not included in construction projects amounts to $31.0 million in 1953. Obligations of $35.9 million are expected to be incurred for this purpose during 1952, and $31.4 million was actually obligated in 1951.

Approximately $17.3 million is required for laboratory equipment, $6.3 million for process equipment, $2.8 million for shop equipment, and $4.6 million for equipment of eight other general types.

Plant and equipment costs

Plant and equipment costs will continue to be incurred at a high rate in 1953, the anticipated costs to be incurred during the year amounting to $976.4 million. Construction working capital and net unliquidated obligations are expected to decrease, to the extent that work completed during 1953 exceeds the amount of obligational authority being requested for that year.

These relationships are shown in the following tabulation:

	(In millions)		
	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Plant and equipment costs	$458.4	$1,100.7	$976.4
Increase or decrease (−) in:			
Construction working capital	47.8	−3.7	−5.7
Construction unliquidated obligations	951.3	−511.4	−517.2
Plant and equipment obligations	1,457.5	585.6	453.5

Comparative summary of appropriations and appropriation estimates

	Cash appropriation
Appropriation for 1952: Presently available	$1,605,897,750
Estimate of appropriations for 1953	1,312,000,000
Decrease, 1953 estimate over 1952	293,897,750

Comparative summary of obligations and appropriations

	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Obligations	$1,925,204,176	$1,307,967,639	$1,256,200,000
Less:			
New contract authority	−300,150,000	0	0
Prior year balance available	−57,271,317	−40,993,089	0
Reimbursements	−1,186,248	−1,200,000	−1,200,000
Plus:			
Cash to liquidate previous contract authority	414,000,000	340,000,000	57,000,000
Transfers to other Government agencies	0	123,200	0
Unobligated balance:			
Reappropriated for subsequent year	40,993,089	0	0
Estimated savings (contract authority)	10,553,300	0	0
Appropriation	2,032,143,000	1,605,897,750	1,312,000,000

Obligational authority related to obligations and expenditures (excluding trust accounts)

	Estimate, fiscal year 1952	Estimate, fiscal year 1953
General and special accounts (excluding working funds):		
Current appropriations:		
Presently available	$1,606,022,750	$1,312,125,000
Contract authorization	0	0
Unobligated balances available	41,037,352	0
Reimbursements from other Government agencies	1,200,000	1,200,000
Payments available from non-Federal sources	0	0
Total available	1,648,260,102	1,313,325,000
Less:		
Transfers to other Government agencies	123,200	0
Cash required to liquidate prior-year contract authorization	340,000,000	57,000,000
Total available for obligation	1,308,136,902	1,256,325,000
Less unobligated balances at end of year:		
To be carried forward in continuing accounts	0	0
To lapse upon closing of accounts	0	0
Total obligations incurred	1,308,136,902	1,256,325,000
Less collections treated as deductions from expenditures	1,200,000	1,200,000
Net obligations for the year	1,306,936,902	1,255,125,000
Obligations outstanding at start of year	1,791,347,865	1,397,975,799
Net obligations to be accounted for	3,098,284,767	2,653,100,799
Less obligations outstanding at end of year	1,397,975,799	902,975,799
Net expenditures, general and special accounts (excluding working funds)	1,700,308,968	1,750,125,000
Working fund advances to other agencies:		
Unobligated balances available	0	0
Net obligations for the year	0	0
Obligations outstanding at start of year	44,298,278	44,298,278
Net obligations to be accounted for	44,298,278	44,298,278
Less obligations outstanding at end of year	44,298,278	44,298,278
Net expenditures, working funds	0	0
Net expenditures, general and special accounts, including working funds	1,700,308,968	1,750,125,000

Analysis of contract authority and cash required to liquidate contract authority

	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Prior-year contract authority brought forward	$522,038,923	$397,635,623	$57,635,623
Less deobligation of prior-year contract authority	10,553,300	0	0
Net	511,485,623	397,635,623	57,635,623
Less cash required to liquidate contract authority included in appropriation	414,000,000	340,000,000	57,000,000
Balance of prior-year contract authority unfinanced at close of year	97,485,623	57,635,623	635,623
Add new contract authority obligated during the year	300,150,000	0	0
Total, unfinanced contract authority at end of year	397,635,623	57,635,623	635,623

Comparative summary of accrued operating costs by program reconciled to obligations and plant and equipment obligations

	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Operations (accrued cost basis):			
Source and fissionable materials	$138,272,654	$254,221,500	$341,500,000
Weapons	141,515,021	200,647,900	228,000,000
Reactor development	40,572,011	65,204,000	92,400,000
Physical research	31,488,918	37,265,600	43,100,000
Biology and medicine	20,615,908	23,285,500	24,600,000
Community operations	4,037,086	2,979,900	2,800,000
Program direction and administration	23,800,838	31,366,974	35,400,000
Total operating costs	400,302,436	614,971,374	767,800,000
Costs of reimbursable work performed	1,186,248	1,200,000	1,200,000
Increase or decrease in:			
Stores inventories	−1,451,253	5,950,372	3,202,000
Special reactor materials	6,396,657	−786,396	5,561,000
Other special materials	243,076	2,019,895	2,037,000
Working capital	10,685,960	−18,876,223	700,000
Unliquidated obligations	50,385,424	118,172,960	22,200,000
Transfers to o. from other agencies	−36,073	−263,000	0
Total obligations for operations	467,712,475	722,388,982	802,700,000
Plant and equipment (obligations):			
Source and fissionable materials facilities	1,247,494,197	359,962,271	311,400,000
Weapons facilities	103,565,791	114,314,416	55,000,000
Reactor development facilities	52,556,879	50,147,317	44,100,000
Physical research facilities	5,341,568	4,894,115	5,985,000
Biology and medicine facilities	5,184,282	4,020,900	515,000
Community facilities	11,725,048	16,276,022	5,500,000
Administrative facilities	200,776	48,984	0
Equipment not included in construction projects	31,423,160	35,914,632	31,000,000
Total obligations for plant and equipment	1,457,491,701	585,578,657	453,500,000
Grand total obligations	1,925,204,176	1,307,967,639	1,256,200,000

Comparative summary of accrued costs for plant and equipment by program reconciled to obligations

	Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953
Plant and equipment (accrued cost basis):			
Source and fissionable materials facilities	$276,114,563	$817,000,000	$770,520,000
Weapons facilities	56,000,573	145,500,000	89,360,000
Reactor development facilities	54,820,304	48,500,000	67,000,000
Physical research facilities	16,140,640	15,600,000	7,200,000
Biology and medicine facilities	3,909,208	10,700,000	2,000,000
Community facilities	24,042,453	24,500,000	6,340,000
Administrative facilities	13,989	410,000	9,000
Equipment not included in construction projects	27,380,131	38,441,012	34,014,400
Total costs	458,421,861	1,100,651,012	976,443,400
Increase or decrease (−) in—			
Construction working capital	47,821,200	−3,667,034	−5,743,400
Construction unliquidated obligations	951,248,640	−511,405,321	−517,200,000
Total obligations for plant and equipment	1,457,491,701	585,578,657	453,500,000

Comparative statement of obligations by object class

		Actual, fiscal year 1951	Estimate, fiscal year 1952	Estimate, fiscal year 1953	Increase or decrease (−), 1953 over 1952
01	Personal services	$24,876,803	$33,225,000	$38,635,599	$5,410,599
02	Travel	1,680,051	3,059,299	3,345,927	286,628
03	Transportation of things	2,532,697	3,061,719	1,407,499	−1,654,220
04	Communication services	1,769,320	1,852,748	2,134,970	282,222
05	Rents and utility services	43,261,821	70,490,547	55,616,911	−14,873,636
06	Printing and reproduction	280,841	411,403	399,920	11,483
07	Other contractual services	354,867,820	549,880,806	593,664,546	43,783,740
08	Supplies and materials	37,614,898	59,990,391	107,077,732	47,087,341
09	Equipment	31,423,160	35,914,632	31,000,000	−4,914,632
10	Lands and structures	1,426,068,541	549,664,025	422,500,000	−127,164,025
11	Grants, subsidies, and contributions	816,162	226,450	200,000	−26,450
13	Refunds, awards, and indemnities	1,111	10,500	10,500	0
15	Taxes and assessments	10,951	80,119	106,396	26,277
Unvouchered		0	100,000	100,000	0
	Total obligations	1,925,204,176	1,307,967,639	1,256,200,000	−51,767,639

EXPLANATION OF PROPOSED CHANGES IN APPROPRIATION LANGUAGE

Changes proposed in the appropriation language for the fiscal year 1953 and the reasons therefor are as follows:

1. *Amendment to limitation of purchase of motor vehicles.*—This change provides for purchase of 450 passenger-carrying vehicles, of which 327 are for replacement only. This compares with the limitation in fiscal year 1952 for purchase of 375 vehicles, of which 215 were for replacement only. The replacement of 327 passenger-carrying vehicles is requested in fiscal year 1953 because these machines will no longer be economical to operate. 106 of the 123 additional vehicles are required in connection with the initiation of operations at Savannah River, with the additional 17 passenger-carrying vehicles required for expansion of operations at other locations throughout the country.

2. *Amendment of appropriation amount and deletion of dollar limitation on personal services.*—The limitation of $25,135,000 on the amount which could be used for personal services as contained in the regular 1952 appropriation act was amended by the Supplemental Appropriation Act, 1952, to $30,400,000. The removal of the limitation on personal services is requested on the grounds that—

(*a*) It is unduly restrictive to effective management of the atomic energy program. With the rapid expansion of the construction program and the efforts to get plants in operation as soon as possible we are not always able to foresee adequately our personnel requirements, which could serve as the basis for establishing a personnel limitation.

(*b*) Such a limitation on personnel funds would in effect prevent transfer to direct AEC operation of functions presently performed by contractor

personnel even in cases where for reasons of economy or otherwise the Commission concluded that the work could best be performed by AEC personnel.

3. *Omission of reference to the Jensen amendment (sec. 605 of the Independent Offices Appropriation Act, 1952).*—The omission of the reference to the Jensen amendment is based on the fact that it is not permanent legislation, the expiration date being June 30, 1952. Also, since the deletion is being recommended by the President for 1953 it is not necessary that exemption be specifically requested for future years.

LIQUIDATION OF CONTRACT AUTHORITY

Mr. McCarthy. The request we are making is for the amount of $1,255,000,000 for fiscal year 1953 for new obligational authority and $57,000,000 for the liquidation of prior-year contract authority granted by this committee, or a total appropriation request of $1,312,000,000.

I might point out that the $57,000,000 for liquidation of contract authority will practically finance all of the contract authority previously granted to the Commission through the years fiscal 1948 to fiscal 1951. In 1952 there was no new contract authority included in the appropriations.

You will notice on page 11 of the summary an analysis of the contract authority, and that shows at the end of 1953 an outstanding unfinanced balance of $635,000. I expect if that amount remains firm, it can be absorbed within the appropriation. So the $57,000,000 will in effect finance all of the outstanding contract authority.

Mr. Thomas. And the remaining $635,000 can be canceled out?

Mr. McCarthy. We feel it can be cancelled out.

In pages 1 through 14 we have attempted to summarize in brief form the various segments of the budget, including operations and plant and equipment. I will not take the time to go through that. The various directors of program divisions will talk to their individual programs.

PLANT AND EQUIPMENT OBLIGATIONS

On page 12 we have a summary of the various programs in our operations budget and our plant and equipment budget. It might be interesting to point out the ratio of each of the various programs to the total operating costs for the year.

The source and fissionable materials program in 1951 represented 34.5 percent of the total operations costs; in 1952 it was 41.3 percent; and for 1953 it will be 44.5 percent.

The weapons program costs represented 35.4 percent of the total in 1951; 32.6 percent in 1952; and 29.7 percent in 1953.

The reactor development program in 1951 represented 10.1 percent; in 1952, 10.6 percent; and in 1953 it will represent 12 percent of the total operating costs.

The physical research program in 1951 was 7.9 percent of the total; in 1952 it comes down to 6.1 percent; and in 1953 it represents 5.6 percent of the total operating costs.

Mr. Phillips. In money?

Mr. McCarthy. In terms of percentage to the total cost of operations.

The biology and medicine program in 1951 represented 5.2 percent of the total, in 1952, it is 3.8 percent, and in 1953 it is 3. 2 percent.

The community operations program represented 1 percent of the total in 1951, one-half of 1 percent in 1952, and four-tenths of 1 percent in 1953.

Program direction and administration in 1951 represented 5.9 percent of the total operating costs, in 1952 it was 5.1 percent, and in 1953 it drops to 4.6 percent.

The major increase, of course, is in the source and fissionable materials program.

I might point out, of course, that in this presentation we group both the raw materials program and the fissionable materials program, but I would like to give you the breakdown between them off the record.

(Discussion off the record.)

MAJOR INCREASES

Mr. McCarthy. The major increases, therefore, are in the source and fissionable materials program and in the reactor development program in terms of the percentage of our total operating costs.

Mr. Gore. Mr. Dean, the committee would like at this time to have a discussion by you of those two major increases and the program as it has developed since you were last here.

Mr. Dean. You refer to the source and fissionable materials program?

Mr. Gore. The source and fissionable materials program and the reactor development program.

INCREASE IN SOURCE AND FISSIONABLE MATERIALS PROGRAM

Mr. Dean. As Mr. McCarthy has indicated, the program for source and fissionable materials increases from $138 million in 1951 to $254 million in 1952 and, in 1953, to $341 million, representing 44.5 percent of our total operating program for that year. In general, I would say that the increase is necessitated in this field because of the coming in of the plants at Oak Ridge and Paducah. Your operating costs begin to show up heavily for the first time, in other words, for such plants as K–29 and K–31 at Oak Ridge, and you will have some operating costs in Paducah at C–31 in fiscal 1953, as well as such operating costs as are attributable to the program at Hanford and Savannah River. As we have indicated to you at other times off the record, our rate of production steps up appreciably both in the reactor field and the gaseous diffusion field when you get into 1953, and this accounts in general for the substantial increase in this budget.

PROGRESS OF THE CONSTRUCTION PROGRAM

Mr. Gore. Forgetting actual figures for the moment, give us a report of the Commission's experience on the per unit production cost.

Before we do that, I would like for you to give the committee a report on the progress of the construction program in the way of a general statement, and then we will go to the source and fissionable materials part of the program.

Mr. Dean. The chief items in the construction program at the moment, from the standpoint of complexity, difficulties, and dollars,

are at the Savannah River site and at the Paducah site. As you know, the total which will be involved in the Paducah site is of the order of $475 million, and for the total at the Savannah River site our last estimate is $1,180,000,000. The du Pont Co. has charge of the construction and will for a period of time have the operation of the Savannah River site. The Paducah site is being constructed by McGraw & Co., construction contractors, under the guidance of the Carbide Co., which will operate the plant.

CONSTRUCTION MATERIALS SHORTAGE AT SAVANNAH RIVER

The percentage of completion of Savannah River design at the moment is about 40 percent, and this is the factor which gives us great difficulties in getting our materials there on time to be installed. As a matter of fact, because our design is running neck and neck with our construction, we are unable to put in our orders for the materials we need, indicating the sizes, shapes, types, and so forth, until other competitors are ahead of us on the books of the manufacturing concerns, and this makes for delays. Although we have had very great assistance from NPA in our endeavor to meet our schedules, we are nevertheless falling behind somewhat at Savannah River, and the falling behind is due, I would say, almost entirely to our inability to get materials there.

Mr. PHILLIPS. What sort of materials—manufactured materials?

Mr. DEAN. At different times they have been different things. For example, structural steel at one time, but all types of things. The items which are critical items and in short supply in the country which we draw on for those construction jobs, the ones that come to my mind as outstanding, are stainless steel and stainless steel tubing, nickel, copper, and any kind of generating equipment or switch gear. And, of course, there is also the problem of getting fabricating capacity after you have located the metal that you need.

The operation at Savannah River, I am confident, is in good hands. I do not think we could have had a better contractor. I was impressed with the way they scheduled things down there. They are on top of the job. There are excellent records kept on each one of the various areas in that very large project.

To give you some idea of the dimensions involved, if you took all of the earth that has been excavated down there alone, you would have a pile 7 feet high and 4 feet wide going from New York to Los Angeles. Those are the kinds of holes that are being dug there in the ground, not to mention the amount of construction in the way of concrete and steel that is going in.

There have been some charges that received some attention in the papers that a competent job was not being done down there, that there was some waste. Our people have been watching that job closely. I think, if there has been idle time, it is the sort of thing you get in every complicated construction program. But a great deal of the answer there is scheduling, and the scheduling is in intelligent hands, I am sure. The best people of the du Pont Co. are on the job.

Mr. GORE. Are you current with construction goals and schedules as of now?

NEED FOR A HIGH PRIORITY RATING

Mr. DEAN. We are falling behind schedule at Savannah River, and I think the only thing that is going to cure it is some kind of a high-band priority which recognizes the urgency we believe this program has.

Mr. GORE. You mean you do not have that now?

Mr. DEAN. We do not have the highest kind, the kind we would like to have. What we would like to have is about $150 million of the highest-band priority over and above every other claimant. This would be for the most sensitive items, the things that will be held up and which are in those areas which will pay off the soonest in the way of new production.

Mr. GORE. What agency has the same class of priority you have?

Mr. DEAN. The Department of Defense today has the same as we do.

In asking for this super priority, let me make clear that we have no intention of interfering with the bullets that go to Korea or any of the important needs of the Defense Department, but we would like to get the highest band possible on the sensitive items; then if a conflict comes later on—and usually we find on investigation there is not any conflict—with important DOD items, we could work that out with DOD, with decisions to be made on individual items at that time.

Mr. GORE. Have you submitted such a request?

Mr. DEAN. We have submitted such a request. We had a conference on it last week with the Department of Defense, Mr. Wilson, and ourselves.

Mr. GORE. And without that you think Savannah River is going to be materially delayed?

Mr. DEAN. That is my opinion.

Mr. GORE. How long?

Mr. DEAN. I would say as much as 6 months.

PADUCAH SITE APPROXIMATELY ON SCHEDULE

Mr. GORE. What about Paducah?

Mr. DEAN. Paducah is approximately on schedule.

Mr. SAPIRIE. We believe the first building at Paducah, the C–31 plant, may be a month or two late, but the last building of the C–31 plant will make the schedule given to us, and the last one of C–33 will make the schedule given to us.

RAW MATERIALS SUPPLY AND INCREASED COSTS

Mr. GORE. I think we are ready now to go to the various departmentalized activities, and we will start first with the ore supply—Mr. Johnson.

Mr. JOHNSON. Mr. Chairman, I have an unclassified statement here for the record. Would you care to have me read it?

Mr. GORE. I think so.

Mr. JOHNSON. The budget for raw materials is divided into three main categories: Procurement, exploration, and process development, including research. The cost of each of these activities has increased year by year and will continue to increase until we have an assured

supply of uranium and other source materials adequate for the production program. The necessity for speed in expanding uranium production in order to meet the requirements of the new atomic energy plants now under construction not only adds to the direct cost of procurement but may involve assumption of greater risks in exploration, development, and plant construction than would be the case in a more normal expansion program.

The increased expenditures in the fiscal year 1953 budget are the result of increased uranium production and somewhat higher prices. Plans are under way or completed for greatly expanded production from domestic, Canadian, and South African sources. Commitments already made or now under negotiation will lead to a substantially increased rate of expenditure for uranium ores and concentrates.

Our programs for exploration and process development also have been greatly expanded. The ability to meet the requirements of existing and proposed production plants is largely the result of intensive exploration and process development over the past several years. These activities must be further expanded in order to find or develop additional sources of uranium and to develop processes for utilizing low-grade uranium-bearing materials.

Mr. GORE. As I read your budget, I was heartened to see that there was a much larger amount of raw materials available, but I was disturbed by the increase in price of this material. Of course, we want to stockpile it; we want to get as much of it as we possibly can, even though we do not have the processing plants immediately available to process it; but the increase in price is disturbing to me as a member of this committee and as a citizen.

Will you address some remarks to that?

(Discussion off the record.)

JUSTIFICATION IN SUPPORT OF BONUS PAYMENTS

Mr. GORE. I do want you to give to the committee what justification you can submit in support of the payment of a bonus.

Mr. JOHNSON. The payment of the initial production bonus to United States producers, which was commenced last year, is to stimulate the development of ore deposits by supplying additional funds during the initial stages of the production period when most of the expenses are being made.

Many of the deposits range from a few hundred to only a few thousand tons of ore, and for each of those mines in the isolated areas—maybe 50 or 60 miles from a railroad—it is necessary to put up a camp and to put in some equipment. By having an initial production bonus which gives a higher price for the first production, the first 10,000 pounds, it is economical to start production, although the amount of ore in sight is relatively small. In other words, there is a chance for the small operator to come out whole, even if the deposit appears to be a relatively small one.

If the mine production proceeds beyond the period of the 10,000 pounds, the initial investment of camp and equipment have been made, and he can continue on the base price without a bonus.

Mr. GORE. You mean the bonus is enough to pay for his capital outlay?

Mr. JOHNSON. No. It aids in capital outlay.

Mr. GORE. So, as of now, you plan to pay for the exploration, and also to pay a bonus for the initial operation, and at the same time pay a price greatly in excess of what it was 2 years ago?

Mr. JOHNSON. I would like to correct that. The initial bonus does not apply to commission held and explored land which may be leased from the Government, only to privately owned properties.

EXPLORATION ON PRIVATE PROPERTY

Mr. GORE. You do not do exploration on private property.

Mr. JOHNSON. That is not entirely true. We started out in 1948 and 1949 in our exploration program by limiting exploration drilling very largely to public domain lands that had been withdrawn from mineral entry.

However, even though we would start from known ore deposits, very often moving on out into the public domain, starting where there were some near existing ore bodies, in order to obtain geological information about them, and trends of the ore zones, the bulk of the drilling was done during that period, and still is on the public domain.

However, in order to expand production, we are doing some, and will do more, preliminary drilling of an exploratory nature on some of the private properties, particularly those that may be held by small operators who do not have the funds, nor the incentive to go ahead and employ diamond drillers on their properties.

This is a program that follows the pattern that was done on a very extensive scale during the war period by the Bureau of Mines.

We are also now doing drilling, and quite extensive drilling, on the Navajo Reservation, where the Government does not control the leasing of lands.

OPERATIONS

SUMMARY OF COSTS INCURRED FOR SOURCE AND FISSIONABLE MATERIALS PROGRAM

Mr. GORE. At this point in the record, Mr. Reporter, we will insert pages 21 to 23 of the justifications.

(The matter referred to is as follows:)

Comparison of costs incurred for operations

	1951 actual	1952 estimate	1953 estimate
Procurement and production:			
1. Raw source materials and feed materials	$59,630,012	$109,049,700	$147,828,000
2. Fissionable materials and special products	60,309,977	109,492,100	157,629,500
Total	119,939,989	218,541,800	305,457,500
Process development:			
3. Raw source materials and feed materials	2,078,274	5,433,600	6,650,500
4. Fissionable materials and special products	16,254,391	30,246,100	29,392,000
Total	18,332,665	35,679,700	36,042,500
Total operations accrued cost basis	138,272,654	254,221,500	341,500,000

The categories used above include the following functions:

Procurement and production

1. Raw source materials and feed materials, $147,828,000.—Included in this category are the funds which enable the Commission to obtain, wherever possible, all of the uranium ores and concentrates available from both foreign and domestic sources required to meet the demands for fissionable materials for weapons production, reactor development, and research purposes. This includes exploration to insure adequate ore reserves for existing and anticipated new industry-operated processing plants and the procurement of uranium ores and concentrates from foreign and domestic sources. These funds also provide for the processing and conversion of raw uranium or uranium concentrates to purified metal or hexafluoride used as a feed for the reactors and gaseous diffusion plants as well as stockpiling of available uranium in the most useful form.

The major factors resulting in the cost increases are (1) expansion of domestic processing plants, (2) acceleration of the exploration program, (3) new foreign sources of supply, (4) slight price increases of both domestic and foreign concentrates, (5) increased production of metal and hexafluoride feed, and (6) start-up and stand-by cost of new and existing facilities.

2. Fissionable materials and special products, $157,629,500.—This category provides for the operation of the various cascades of the gaseous diffusion plants located at Oak Ridge, Tenn., and those being built at Paducah, Ky., as well as the reactor production facilities at Hanford, Wash., and those being built at Savannah River, located in South Carolina. This category includes also all costs of producing needed quantities of certain materials other than uranium or plutonium, for which need may be specified from time to time. Also included is the cost of salvaging uranium and standby costs for a portion of the electromagnetic separation facilities.

The increase in this category is largely due to the operation of new facilities. This expansion of facilities will result in producing greatly increased quantities of fissionable materials and special products at reduced unit costs.

Process development

3. Raw source materials and feed materials, $6,650,500.—Included in this category are the funds which provide for (1) the development of new and improved methods of recovering uranium from various sources, particularly those with a low-grade uranium content, (2) process development aimed at improving quality and purity of fissionable material plant feeds, (3) improving the over-all recovery efficiency and developing recovery methods for process-scrap, improving existing processes, and developing new and more efficient methods of production.

The increase in cost is largely occasioned by the general expansion of activities which requires an expansion of developmental activities to insure efficient operations. Different types of materials are being processed and it is necessary to develop new techniques.

4. Fissionable materials and special products, $29,392,000.—This category provides funds to continue a vigorous program of applied development and fundamental research, aimed toward increased production, at reduced unit costs, of enriched U–235, plutonium, and special products. At this particular time, work on plutonium and special products is directed toward improving Hanford operations and determination of processes and design criteria for the construction of Savannah River facilities, and the work on enriched U–235 is directed toward improving Oak Ridge and Paducah operations.

DOMESTIC URANIUM PROCUREMENT

Mr. GORE. Mr. Johnson, without going further into the whole policy of domestic ore development at this point, I am going to give you an opportunity, following this table, to insert into the record, after you have had time to prepare it, a statement on policy and procedure in this field.

Mr. JOHNSON. In exploration?

Mr. GORE. The whole problem of developing the domestic ore supply.

(The matter referred to is as follows:)

STATEMENT ON DOMESTIC URANIUM PROCUREMENT

The principal function of the raw-materials program is to supply uranium and other source materials for the billion-dollar plants which produce fissionable material for atomic weapons. The supply of uranium must be adequate to feed the plants now operating and those under construction. Should plant capacity be in excess of the uranium supply, expensive facilities would be idle.

To assure that there will be an ample supply for existing and authorized plants, it has been necessary to find and develop new sources of uranium, as well as expand production from established sources. Because of the rapid expansion of the atomic-energy program, and planning for still further expansion, it has been necessary to accelerate all phases of the raw-materials operations—exploration and process development, as well as procurement.

The policies and procedures being followed under the raw-materials program may be summarized as follows:

PROCUREMENT

Procurement of uranium concentrates is on the basis of unit-price contracts negotiated with the operators of privately owned and operated ore-processing plants. The sole exception to this is the production from the Commission-owned ore-processing plant at Monticello, Utah, which was built during the war by Defense Plant Corporation for vanadium. It is operated for the Commission by a fixed-fee contractor. Operation of the Commission-owned plant at Monticello, Utah, has been a valuable source of information on processing costs for use in negotiating contracts. Continued operation of these plants, as well as expanded production from domestic ores, will depend on how effectively the Commission carries out its exploration program, in cooperation with private industry.

Establishment of guaranteed prices for domestic uranium ores and conveniently located ore-buying stations where the ores can be sold are a fundamental part of the program. In addition, special incentives are offered to stimulate prospecting and development. Free assaying service, geological assistance, and distribution of information on uranium minerals and their occurrence are among the methods used to encourage and assist prospectors, miners, and the mining industry in the search for, and development of, domestic uranium deposits.

In establishing a domestic uranium program in 1948, the Commission was faced with the general impression that the United States was a have-not nation with respect to uranium. There was practically no domestic production, there was no established market and there was no interest in developing or producing uranium. Except for some undercover work initiated during the war, no systematic appraisal had been made of the uranium possibilities of this country and general information on the nature of uranium occurrences was decidedly sketchy.

The mineral industry the world over has been developed by private industry and not by Government operation. Government-sponsored assistance programs, such as geological investigations, could be a major help, but the efforts of the thousands of private prospectors, miners, geologists, and mining engineers are essential to the success of developing rapidly a domestic uranium-mining industry.

Therefore, the Commission announced the policy of giving private enterprise the opportunity to develop uranium mining under profit incentive. That this policy has paid off during the past 4 years is evident from the rapid expansion of domestic production—an expansion beyond the most optimistic predictions.

Although our uranium-mining industry is healthy and expanding, no excessive profits have been made. As a matter of fact, the lack of rich strikes with large rewards has restrained enthusiasm for the search for uranium as compared with the search for other minerals. On the other hand, most of our uranium production comes from small deposits which do not require large capital investment. This has stimulated widespread interest on the part of prospectors and small-mine operators.

A chronological statement of the various domestic uranium circulars issued by the Commission is as follows:

Circular No.	Effective date	Purpose
1	April 1948	Established a 10-year minimum guaranteed price for high-grade domestic uranium ores, refined uranium, and mechanical concentrates.
2	do	Provided for a $10,000 bonus for discovery and production of uranium from high-grade domestic deposits.
3 (expired)	do	Provided a guaranteed 3-year minimum price for carnotite-roscoelite type ores of the Colorado Plateau.
4 (expired)	June 1948	Provided for haulage and development allowances on a temporary basis (until July 1, 1949).
5 (replaced)	February 1949	Provided for adjustment of minimum prices for carnotite-roscoelite type ores as well as incorporating the haulage and development allowances of Circular 4 (effective until June 30, 1954; later extended to Mar. 1, 1958).
5 (revised)	Mar. 1, 1951	Increased the guaranteed minimum base prices for carnotite-roscoelite type ores from $1 to $1.50 per pound of uranium oxide, depending on the grade of ore, and also increased the premium paid on ores containing more than 4 pounds of uranium oxide. This schedule of prices, effective until Apr. 1, 1958, compensated for the increased cost of mining and provided additional incentive for expanding domestic uranium production.
6	do	This circular, in effect until Mar. 1, 1954, provides for the payment of a graduated bonus, depending on the quantity and grade of ore, for initial production and delivery of up to 10,000 pounds of uranium in ores from new and certain existing mining properties. This bonus is intended to encourage and assist the development of new sources of domestic ores.

EXPLORATION

The primary purpose of the Commission's exploration program is to find and develop sources of uranium production. The problem of finding deposits also involves basic studies of uranium mineralogy and geology and development of effective methods and techniques for finding ore. I naddition to finding uranium and assisting the mining industry in finding ore, the exploration department must appraise all known uranium resources, current and potential, in order that we may forecast as accurately as possible future production and production potential. It also is important to obtain full information on large low-grade resources. The development of improved methods of uranium extraction, or the need for utilizing high-cost sources, may result in large-scale production from very low-grade materials.

A major part of the exploration effort is in drilling on the Colorado Plateau, which currently is furnishing practically all domestic uranium. This program has been most important in developing production in this area. The information and the results obtained also have contributed to the expansion of exploration and drilling by private industry.

Where drilling is done on public domain, the lands are withdrawn from mineral entry prior to drilling so that the Government obtains the benefit of the discoveries. The uranium deposits found are leased to private operators on a royalty basis and royalties received by the Commission are deposited in miscellaneous receipts. Leases are granted on the basis of negotiation, rather than competitive bidding, in order to select qualified operators and assure efficient and effective production. This method is in line with established procedure by private industry and was decided upon after full and careful consideration. In 1949 the Commission issued a detailed public statement describing the policy, the procedure for lease application, and the basis for selecting lessees. No objections to the basic principles of this policy have been reported.

PROCESS DEVELOPMENT

Development and improvement of processes to extract uranium from ores of different types are also important phases of procurement since uranium is found in a wide variety of host rocks and with a number of accessory minerals. Each type of ore may pose unique metallurgical problems requiring, for their solution, extensive metallurgical testing. An economical method for the extraction of the small quantities of uranium present in the South African gold tailings was worked out in Commission-sponsored laboratories in cooperation with the Union of South Africa's Government metallurgical laboratory. The first operating plant using the techniques so developed is nearing completion. Commission-sponsored pro-

grams were primarily responsible for the development of methods of recovering uranium from phosphate rock. The first recovery plant is currently under construction.

Other work is going forward with respect to increasing the efficiency of extraction and in lower the cost of processing. At the same time, new types of ores are being tested. Although a substantial amount of work has already been done on shales and phosphates, metallurgical studies are being continued to provide more accurate information on the methods and cost of recovering uranium from such low-grade materials. This is considered extremely important, since loss of overseas supplies, failure to find sufficient additional reserves of conventional ores, or increased uranium requirements might force utilization of these sources.

Mr. GORE. Now, off the record.

(Discussion off the record.)

Mr. GORE. There are two other things to which I hope you will address your remarks, off the record, if necessary, and then we will go to another division, one, the new operation in northern Canada, the stage of its development, and the prospects; second, the phosphatic development of uranium in this country.

Mr. JOHNSON. Off the record.

(Discussion off the record.)

OBTAINING ORE FROM PHOSPHATIC DEPOSITS

Mr. GORE. Now, I think you can state for the record, in general, the success that the Commission has had, in obtaining ore from phosphatic deposits.

Mr. JOHNSON. The first production plant for the recovery of uranium as a by-product from a commercial phosphate plant is now under construction. That represents the first step in our program.

It is expected that at least two other production plants will commence construction this year. Expansion beyond that is under investigation. There are either pilot plant or laboratory investigations taking place at approximately six commercial phosphate plants.

Mr. GORE. Does that offer a really good prospect of a substantial supply of ore?

Mr. JOHNSON. It offers the possibility of a worth-while supply. I would rather not go on the record for anything specific.

Mr. GORE. Off the record.

(Discussion off the record.)

Mr. GORE. Thank you, Mr. Johnson.

Mr. JOHNSON. Thank you, sir.

FISSIONABLE MATERIALS PROGRAM

Mr. GORE. We will take up next the fissionable materials program. Do you have a general summary statement for us?

Mr. COOK. I have an unclassified statement I could present.

Mr. GORE. We would like to have it.

Mr. COOK. By the end of fiscal year 1953 we will be producing both plutonium and U–235 at rates significantly higher than at present. The increase in production and the increase in operating costs mainly result from the operation of new plants recently completed or plants now under construction which will be completed before the end of fiscal year 1953. While the funds required for the fissionable materials program are substantially greater than have ever been requested

before, the unit costs for processing plutonium and U–235 are being still further reduced—to levels representing a material reduction in the unit costs from the first year of AEC operation back in 1947.

A majority of the funds requested for construction, exclusive of the additional funds required for the Savannah River plant, are for the purpose of increasing the productivity and efficiency of the existing plants. Over the past several years the productivity of existing plants has been increased significantly as a result of previously authorized expenditures for plant modifications enabling us to take advantage of results of the research and process improvement programs. In the present budget request there are included projects which will enable us to continue the upward trend of production from the existing plants.

If you wish, I could give you a quick, brief summary of what has occurred in the production program.

Mr. GORE. We would like to have it.

(Discussion off the record.)

Mr. COOK. That briefly covers the operation.

Mr. GORE. Thank you, Mr. Cook.

WEAPONS PROGRAM

We will include in the record at this point page 111, which is all we have in the way of an unclassified justification of the request for $228 million for the weapons program.

(The matter above referred to is as follows:)

Operating program statement and narrative statement

Total accrued cost, weapons program:	
1951 actual	$141, 515, 021
1952 estimate	200, 647, 900
1953 estimate	228, 000, 000

The requested amounts for the weapons program for fiscal year 1953 represent funds required to meet current military needs for advanced models of atomic weapons in sufficient numbers to accommodate the increasing supply of available fissionable materials in order that the Nation may maintain its position of world leadership in the field of atomic armaments.

Colonel FIELDS. I have a short statement which I would like to make in addition to that, which can be included in the record, with your permission.

Mr. GORE. We will be glad to have it.

Colonel FIELDS. The program for the development and production of atomic weapons will continue to be pressed vigorously in fiscal year 1953. Operating costs of the weapons program are estimated at $228 million in 1953, compared with $200 million estimated for the current fiscal year. With these moneys increased numbers and types of weapons will be produced, and development activities which are essential to advancement in the field of weapons will be continued and somewhat expanded.

New obligational authority of $55 million is required in 1953 for weapon facilities, most of this being to complete projects at a number of locations authorized and initiated in prior years, for which funds were appropriated only in part. Facilities at Los Alamos and Sandia are being expanded somewhat and the personnel strength of the

laboratories at these locations will be higher than in 1952. Attention is also being given to improving production operations.

As the committee knows, the details of this program are highly classified. I will be happy, however, to go into such details off the record.

(Discussion off the record.)

DIFFICULTIES ENCOUNTERED IN CONSTRUCTION PROGRAM AT THE NEVADA TEST SITE

Mr. GORE. Mr. Dean what can you tell us of the difficulties you ran into in the Nevada test site construction?

(Discussion off the record.)

Mr. DEAN. At the present time—and it seems to me like this is always the case—we are readying the Nevada test side for another complicated series of tests.

To get ready for these tests, we have a good-sized construction program under way. Among the things we are building is a construction camp, where all of the construction housing is located, as well as the semipermanent housing for the technical people. This job, which is not quite completed, is being done under a lump-sum contract.

Up at the site where the shots are fired—and there are several of these—the necessary access roads are being constructed. This work, too, is being done under a lump-sum contract.

The concrete foundations for the towers are being finished off under a lump-sum contract. The concrete blockhouses for the housing of instruments are being completed under a lump-sum contract. The erection of the towers themselves is also being done under a lump-sum contract. These towers—hardly a standard item—were procured under standard procurement procedures. The power and communication lines leading up to the sites are being erected under lump-sum contracts.

The only work that is not being done under a lump-sum contract at the sites is of three kinds: (1) The electrical wiring at the site area—a job that calls for all sorts of last-minute shifts, usually at most irregular hours, depending upon the requirements of the test director. (2) A few miscellaneous items which have to be constructed—again under the supervision of the test director—in the neighborhood of the zero point. And (3) one of the buildings at the control point. This job, which is the one that Haddock took over when McNeil could not finish it on time, is almost finished and it is being done on Haddock's cost-plus-fixed-fee contract. You may wonder why it has taken so long to conclude it when the shots were fired last fall. At that time our objective was to get the building in shape for use in the fall test and it was used as the nerve center for the test although it was not completed. Construction had to be interrupted for the fall test program and it is now being continued at a more leisurely pace because there is no longer any need for rush.

Now, we are most anxious at Nevada not to waste money. We do not like a situation where a plumber in a given week—even if it is just before shot time—must work 123 hours. But we are meeting a deadline—and to us it is an important deadline.

It is also difficult for a person who is not constantly imbued with this sense of urgency which we have, to appreciate the atmosphere

which prevails at a test site in the weeks just prior to shot time. I was in Nevada at the test site about 3 weeks before the shots last fall. We had some 1,500 construction workers in that area, living in very unattractive, hastily-built plywood structures. We did not have extensive or elaborate housing facilities. This is a camp out in the desert 275 miles from the labor market and 65 miles from the nearest town—Las Vegas. These men are isolated. Even in the temporary barracks which we have put in, they are sleeping eight in a room, in double-deck cots for a period of weeks and months. The cafeteria when I was there was operating around the clock.

Every man that we haul up there from Los Angeles to work on this project has to be paid transportation and subsistence. The contractors must pay him wages in accordance with union contracts. They are bound by these. The only place where we have flexibility is in determining the amount of time that the man will work. And if we determine that he will work a short week in a period when the pressure is on, the only other alternatives we have are to postpone the test or bring in more men at great expense to an area where we do not have the additional necessary housing. The pressures that are on us just before shot time are further magnified by the large influx of scientific and technical personnel who must stand idly by—away from their laboratories—if the shots are postponed.

Now, this is the atmosphere in which a plumber is worked too long. He is a plumber who has been at this site working for normal rates of pay for a period of weeks or months. When we get down to the wire on a test program like this and we need a plumber or an electrician for a last-minute job of critical importance, we can either take the one that is there, or we can go 275 miles away to Los Angeles and get another one for a week or two's work. If we go to Los Angeles, we pay for his transportation, and we have to have a place for him to eat and sleep when he gets to the site. Either way it is costly.

We try to avoid these situations and we will try to avoid them in the future, but we have never had the luxury of years in which to plan and prepare. We have always been "under the gun".

RATES AND OVERTIME PAYMENT FOR PLUMBERS

Mr. GORE. What are your wage rates for plumbers on that site?

Mr. TYLER. A plumber in that area, according to a wage schedule established by the Department of Labor, gets $3 an hour, and under a contract between the unions and the Associated General Contractors, again approved by the Wage Stabilization Board and the Department of Labor, a plumber gets double time for all overtime.

Mr. GORE. I thought the standard was time and a half for overtime.

Mr. TYLER. No, sir; in that area for a plumber it is double time. That has been approved by both the Department of Labor and the Wage Stabilization Board. Different areas vary. Carpenters in that area get time and a half; laborers get time and a half.

Mr. GORE. There is nothing beyond double time?

Mr. TYLER. No, sir; they pay nothing beyond double time.

Mr. PHILLIPS. What is this "golden time"?

Mr. TYLER. We pay nothing for "golden time." That is in the newspapers. The man referred to in the newspapers worked 40 hours

at normal pay and worked 80 hours at double pay, or a total of 120 hours. We were paying the wage rates out there, paying no bonus.

Mr. PHILLIPS. How much per hour were they getting?

Mr. TYLER. On this project, the plumbers' superintendent got $3.50 an hour; the foreman, $3.25; and the journeyman plumber, $3.

Mr. GORE. Did you know at the time he was being paid for that many hours per week?

Mr. TYLER. I knew he was being paid that much per hour for overtime, but not that he was putting in that many hours. They were keeping those people on for extended periods and I checked back on the current rates. All of the people did not work around the clock, but he had his job and knew what it was, and he could do the thing and get it finished.

Mr. GORE. Did you know he was putting in that much time?

Mr. TYLER. I knew he was working long hours, and I never had occasion to doubt it.

URGENT NEED TO COMPLETE THE PROJECT

Mr. GORE. How long before it occurred were you advised those facilities should be completed?

Mr. TYLER. We had these people under a lump-sum contract. It was due to be completed 90 days after the award of the contract, which would have been roughly about 60 days before the shot. The lump-sum contractor did not complete it, and we gave him an additional 35 days. We gave him a total of 125 days, but he still did not complete the contract. I do not mean by that he did not complete it. We did not ask him to complete it, but we asked him to get the building so that it was usable. The shot was coming off on the 15th of October, and on the 29th of September we took the contract away from him and gave it to a cost-plus-fixed-fee contractor and told him to put as many men on as necessary to get the thing usable.

FIXED FEE

Mr. GORE. What was his fee?

Mr. TYLER. That has not been negotiated, but it will be negotiated on the same basis as normal construction fees are negotiated, which will run somewhere around 3 to 5 percent.

Mr. GORE. So when he paid a plumber $750 for a week's work, he in turn will get 5 percent of that as his fee?

Mr. TYLER. Not necessarily; no, sir.

Mr. GORE. That is just what you said.

Mr. TYLER. No, sir. We negotiate the fee on the normal cost for an operation, and only in exceptional cases where we require him to do something beyond what is normal does he get any increase in the cost. His fee is not based on the cost of the contract; it is based on the estimated cost of the structure, and if the cost runs higher, his fee remains the same. It is a fixed fee.

CONSTRUCTION OF VETERINARY HOSPITAL

Mr. GORE. You are the same gentleman who constructed the veterinary hospital out there contrary to the wishes of the committee.

Mr. TYLER. I did not understand it that way at the time. I found out last year. It was not my understanding at the time.

HIGH WAGES PAID TO WIRE SPLICERS

Mr. GORE. What is your excuse for the wire splicer?

Mr. TYLER. The wire splicer was merely mentioned, I believe, by Mr. Dean as an incident that does come about in the case of our lump-sum contracts. The contractor was getting no more money in this case, but his wire splicers did get rather high wages in order to get the contract done on time. And that came out of the contractor. He did not change his bid; he did not get an increase in his bid. He bid on a lump-sum contract. We had made a lump-sum contract with this contractor and under some circumstances he had to cut his profit down to practically zero in order to finish the job on time, because he knew it was needed on time. It was only when the lump-sum contractor had refused to work overtime and pay the additional cost that we had to step in.

Mr. GORE. Did you negotiate with him?

Mr. TYLER. That is under review by a board appointed by the Commission. They have just finished their hearing in Los Angeles on Saturday, and the parties have an opportunity in 5 days, I believe, to file briefs. Then the board will make their report to the Commission. This is an outside board appointed by the Commission to review the situation.

Mr. DEAN. Whether we were justified in terminating his contract under the circumstances at that time is the extent of the inquiry before this board.

Mr. TYLER. That appeal has not been reported to the Commission as yet. Each side, I guess, has 15 days to submit briefs. They have completed the hearing. That was done at Los Angeles, and they actually convened out in Nevada and inspected the site.

REASONS FOR NOT DELAYING TESTS

Mr. GORE. As the record stands, then, you knew about the man and you knew the hours he was working, you were advised of it, yet you did nothing about it.

Mr. TYLER. I was not advised of the hours he was working in a week or the pay check he was going to collect. I was advised that people were working in some cases around the clock and was asked if I considered it necessary, and I did. It is an awful thing to get into. It is hard to explain, but the schedule was extremely tight. We had no option of moving the shots or postponing them for a month, because from the information I had I was directed to finish by a certain time. Under normal circumstances, we could have extended the time, but on an additional request for information and confirmed by the Commission as being correct, they said the Commission should have this in that time. I said they could have it in that time, but it is going to be a very, very tight contract.

Mr. COUDERT. In other words, if the shot for which you were bringing this building to completion could have been postponed a few days, it would have meant the saving of a substantial amount of the construction cost?

Mr. TYLER. No, sir. It would not have been a few days. It was a series of shots which had to be completed by the 1st of December and were actually completed by the 3rd of December. The initial shot was actually postponed about a month.

Mr. COUDERT. Why could not it have been postponed another 2 weeks or 2 months?

Mr. TYLER. Because the end information to come out of this series of shots was required by the 1st of December, and was obtained by the 3rd of December.

Mr. COUDERT. Does all of your experimental operation or all of the construction you perform for development reasons require such feverish, desperate measures to have the construction ready at just the exact instant?

Mr. TYLER. No, sir. I would say the only instance and the only place this is likely to happen—it is not likely to happen regularly, and we never anticipate it will happen regularly—is at the actual test site, where the tests are scheduled months ahead and, as frequently happens and as did happen in this case and is likely to happen in future tests, there is an urgent requirement for additional information out of those tests, and we do not conduct tests at this site frequently enough so that there is a scheduled test at which this information can be obtained. It was unwise to try to put it off for 6 months, because they want to have all of the information that can be obtained from each test and, if the information is worth getting, I think we will save a great deal of money in having combined tests that way. We have requirements for so much scientific information of a large variety having to do with instrumentation, and if we can squeeze it in by some additional work, I think we will save a great deal of money.

I think the money expended is unfortunate, but I was working 48 hours at a stretch myself, and I did not get any $750 a week for it. And I do not like it.

Mr. THOMAS. What about answering Mr. Coudert's question? Mr. Coudert asked a very simple question, which was simply this: "What was so important about it that you could not delay these tests another 30 or 40 days?" You have spent a lot of time talking, but you did not get even close to answering his question. Of course, you had orders out of the Washington office to be ready on a certain date. Now, the question is, Why could not the Washington office have postponed this thing for 30 days in view of the information you referred back to the Washington office?

Mr. DEAN. May I go off the record on this?

Mr. COUDERT. If we go off the record, it leads to colloquy and leaves the whole question up in the air.

Mr. DEAN. A series of shots was originally planned. They had four shots in it, as I recall, to commence originally on the 1st of October. For various reasons we had to postpone it until the 15th. Superimposed on it, in midsummer or early fall, were two additional shots that were asked for by the services. They were quite novel. They had a lot to do with the question of how you make up your weapons requirements which were then being considered. We were given a date on which to get this through. It was quite novel, quite different, and there are very good reasons which we do not like to put on the record.

Mr. COUDERT. The essential responsibility, then, is the military's?

Mr. DEAN. I do not want to blame them. We had an equal interest in finding out the answers to this. Both were interested, but it was their requirement that pushed it up a little.

Mr. THOMAS. Could it not have been postponed for 30 or 40 days?

Mr. BOYER. If I may make a statement on that—and I would like to have Captain Tyler correct me on this if I make any misstatements of the facts—this situation with regard to the plumber occurred in the last week prior to the shot time.

Mr. TYLER. The big pay actually was in the last week.

Mr. BOYER. There had been mutuality as to the advantage to the organization to carry out this test. The people had made rough guesses that probably the operating cost per day for these assembled technical and scientific people—600, as Mr. Dean said—was something of the order of $30,000 a day and you get this program so far along and you feel you can complete it, and then you find you cannot unless you work these craftsmen long hours. You are faced with the decision—do you leave those scientific and technical people sit there at that cost, or do you move in and use those very unusual conditions and emergency conditions on length of construction workmen's day to accomplish the purpose of getting this test over and getting these scientific and technical people back to their other productive jobs.

Mr. GORE. That sounds very good, Mr. Boyer, but how are you going to get any productive work out of a man if he works 150 out of a possible 168 hours? The fellow could not have worked that long. He may have been sleeping on the job.

Mr. BOYER. The actual time was 123 hours, which was about 17 hours a day. So he was probably getting 6 hours a day off time, on an average, per week. You can do that.

Mr. ANDREWS. That is when he slept.

Mr. GORE. When did he eat?

Mr. BOYER. As a supervisor, of course, he can eat a sandwich on the job.

Mr. GORE. He can sit down and drink a Coca-Cola and take a nap, too, I guess, in this kind of operation.

Mr. BOYER. Probably he could.

Mr. GORE. Perhaps that would be an intelligent guess.

Mr. BOYER. On the other hand, the supervisor was continued on the job, and it is difficult to get supervisors to push a job like that and split them up in shifts. It is better where you have a few people who have the over-all knowledge of what to do.

PLANT AND EQUIPMENT

WEAPONS FACILITIES

Mr. GORE. I will put in the record at this point pages 791 to 798, inclusive.

(The matter above referred to is as follows:)

Detailed justification of plant and equipment

	Fiscal year 1951	Fiscal year 1952	Fiscal year 1953
Cost obligated	$103, 565, 791	$114, 314, 416	$55, 000, 000
Cost incurred	56, 000, 573	145, 500, 000	89, 360, 000

DETAILED JUSTIFICATION OF COSTS TO BE OBLIGATED IN 1953 FOR CONSTRUCTION

Project No. 3-3100-2016. Divisional laboratory and administration building, Los Alamos, $6,870,000

This project provides for the construction of a multistory office and laboratory building in technical area 3. The structure is to be of fire-resistive construction with an area of approximately 225,000 square feet and will provide space for the eight administrative departments and part or all of six technical divisions of the Los Alamos Scientific Laboratory.

The construction of permanent laboratory facilities in the new technical area is progressing rapidly and to achieve efficient and economical management of the new laboratories it is considered essential that administrative facilities be located in the same area. At present the administrative functions are accommodated in widely separated portions of the old technical area, with each group expanding from its small beginning wherever space could be made available. The centralization of these functions within one building will result in greater efficiency in administration and reduced operating costs.

The six technical divisions to be located in the new structure are presently occupying nine separate frame buildings in the old technical area. The existing facilities are structurally and functionally inadequate for present use. The collection of technical divisions in one structure of adequate size and in close proximity to their related activities will provide an efficient and economical operation.

Preliminary planning on the project was initiated in February 1951; scheduled completion of construction is June 1954. The total estimated cost of the project is $7,000,000 of which $130,000 was provided in prior years for preliminary design work; $6,870,000 to cover construction and completion is included in this budget.

Project No. 3-3100-3002, Demolition of Vacated TA-1, Los Alamos, $350,000

This project provides for the demolition of certain contaminated buildings and other unusable structures in the old technical area. Completion of construction in the new technical area will permit the laboratory to vacate many of the existing temporary and semipermanent buildings. Preliminary studies have been undertaken as to the future use of vacated structures. However, final determinations will be based upon the severity of contamination and whether it renders the structure hazardous for ordinary usage.

Due to lack of experience, knowledge of the hazards which will be encountered and precautions that must be taken are intangible. However, the presently conceived solution consists of dismantling and reduction of the contaminated material concurrent with dismantling. Certain minor structures will be removed in compliance with the fire-prevention code. Dismantling will be held to a minimum as future occupancies require all the space which can be made available.

Work on this project will begin 1952. Of the total estimated cost of $750,000, $350,000 is included in this budget with the balance to be requested in fiscal year 1954.

Project No. 3-3100-3003. Roads, utilities, and minor technical projects, Los Alamos, $2,045,000

This project is a consolidation of the following items which have been presented as separate projects in previous years:

(*a*) Roads, utilities, and erosion control.
(*b*) Projects of $100,000 or less.
(*c*) Special projects of LASL.
(*d*) Communications, tech area.

Experience has indicated a need for construction of minor projects involving replacement, expansion, or correction, depending upon the individual items. Examples are the extension of roads and utilities to outlying sites originally conceived as minor remote installations but which through increased usage and expansion require service from basic utility systems; erosion control applications in areas adjacent to laboratories requiring complete air treatment as excessive dust overloads air-cleaning equipment; changes in technical program requirements and research and development result in the need for alterations or new unanticipated construction; changes in occupancy or security requirements necessitating construction of guard stations, fencing, lighting, or other physical security measures; improvements of a capital nature arising from routine maintenance; and preliminary design studies are needed as a basis for future construc-

tion requirements. Accelerated expansion of the laboratory will result in continued demand for temporary work space and building modifications.

Project No. 3–3104–3021. Maintenance shop and warehouse, Sandia, $690,000

This project provides for a building of 60,000 square feet gross area for housing of the Maintenance Department functions including maintenance shops and warehouse to be constructed outside the technical area. Some of these functions are presently located within the technical area in a portion of building 834. By moving these functions to a new building space in building 834 could be utilized for general stores which would in turn release additional space in road warehouse for classified storage of the Road Department.

In addition to housing the Maintenance Department functions this new building would provide inside storage for hoists, electric motors, metal partitions, and other building materials which are presently stored outside. Larger facilities will also be furnished for millwrighting and other shop work for which present space is inadequate. By locating the Maintenance Department facilities outside the technical area personnel could be hired on the basis of a "P" rather than a "Q" clearance and would solve many of the problems arising from a high turn-over in this type of personnel.

The total estimated cost of this project is $690,000, all of which is included in this budget.

Project No. 3–3104–3022. Addition to Medical and Personnel Service Building, Sandia, $180,000

This project provides for the construction of an addition to the Medical and Personnel Service Building of 12,000 square feet gross area. The building will contain utility services for toilets and other facilities required for office type occupancy. This additional space is required to house the personnel department which is presently occupying temporary army buildings on loan from Armed Forces special weapons project. It is desired to combine the personnel department, employee service and medical clinic in one building outside the technical area. Work would be started in July 1952 and be completed in June 1953.

The entire estimated cost of the project is included in this budget.

Project No. 3–3104–3024. Modifications to temporary buildings, Sandia, $103,000

This project covers modifications to temporary buildings T–838, T–851, T–859, and T–866 which includes revising the heating system from wall heaters to radiators, removal of a considerable portion of interior partitioning, rearranging of other partitioning, interior repairs, installation of additional toilet facilities. This rehabilitation of existing temporary buildings will provide necessary facilities for expanded activities of the Sandia Corp. without construction of new office buildings. Work will begin July 1952 and be completed June 1953.

The entire estimated cost of the project is included in this budget.

Project No. 3–3104–3025. Miscellaneous construction, technical area, Sandia, $535,000

This project comprises minor construction, renovation, additions and removals as necessary. Experience has indicated a need for minor projects of various types which cannot be predicted in advance. Changes in occupancy or operating conditions or techniques and correction of deficiencies in heating, lighting or fire protection contribute to this requirement.

Work on this project will be carried on during fiscal year 1953.

Project No. 3–3126–3006. Fiscal year 1953 improvements, Inyokern, $128,000

This project provides for the following plant revisions and addition to increase the efficiency and reliability of the operation:

(*a*) Conversion of the existing radial electrical distribution system in the operating area to a loop system by increasing the capacity of existing distribution cables and extending duct work and cables.

(*b*) Provisions for an emergency tie line to the operating feeder and installation of sectionalizing switches to eliminate power outages in the administration area and operation area in case of fault in either.

(*c*) Erection of prefabricated portable steel buildings to house four 75-kilowatt skid mounted Caterpillar Diesel generators and electrical switch gear to provide emergency standby service. These generators are presently stored in the open and subject to excessive deterioration.

Work on this project will begin August 1952 and be completed April 1953.

Project No. 3-3112-3028. Eniwetok Proving Ground improvements, fiscal year 1953, $1,500,000

This project provides for miscellaneous improvements to facilities at the overseas test site. The work will consist principally of replacing warehouses and other buildings salvaged after the Sandstone Operation in 1948. In placing these buildings into a usable condition repairs were limited only to those necessary to keep the buildings in service temporarily. It is anticipated that by fiscal year 1953 most of these structures will have deteriorated to the point where replacement will be necessary. Work will begin July 1952 and be completed March 1953.

Classified projects (details are shown in the following classified pp. 799–815), $42,599,000. Of this total $1,015,000 is to cover four new projects identified as follows:

Project No.:	*Amount*
3-242-3002	$65,000
3-242-3003	150,000
3-231-2053	650,000
3-231-2054	150,000

The balance of $41,584,000 is to complete projects authorized and initiated in prior years, for which funds were appropriated only in part. These projects are identified as follows:

Project No.:	*Amount*
3-311-0006	$100,000
3-311-1016	300,000
3-311-1021	50,000
3-311-1024	990,000
3-314-1016	1,500,000
3-242-0006	130,000
3-242-1006	32,000
3-242-1007	178,000
3-300-1007	38,304,000

Mr. GORE. Proceed, Colonel.

(Discussion off the record.)

REIMBURSEMENTS FROM THE ARMED SERVICES

Mr. PHILLIPS. Do the armed services pay you any money out of their budgets to do anything for them?

Colonel FIELDS. Off the record.

(Discussion off the record.)

OPERATIONS

SECURITY OPERATIONS, ETC.

Mr. PHILLIPS. On page 115 in your operations expenses of AEC, on which you have security, transportation, and so forth, how much is the increase for 1953 over 1952, where you have $2,281,000? It seems to me that is a very large figure, and I think it will seem to be to you, Mr. Gore, when you consider the objects given for its use. That is on page 115, the last item.

Colonel FIELDS. Off the record.

(Discussion off the record.)

Colonel FIELDS. The major item of that is given on page 125, sir.

Mr. PHILLIPS. I would like to have Mr. Dean tell me on the record what there is about that page that is secret; the statement on page 125.

Mr. DEAN. I will read it carefully.

Mr. PHILLIPS. Read it in connection with page 115 in which that item appears also, just as a final item in a list of figures.

Tell me what there is on page 125 which is secret.

Mr. DEAN. Well, offhand, I do not see, unless somebody else in the shop does. My answer is off the record for a moment.

(Discussion off the record.)

Mr. PHILLIPS. You have put in this book and marked "Secret" page 125, and I am unable to see anything secret about it, and Mr. Dean's answer was that he agreed with me.

Mr. DEAN. I think it should be changed to a white sheet.

Mr. MCCARTHY. I might state, Mr. Phillips, if I may, since I got this up, that one of the difficulties we have is in the continuity of the justifications. We do probably get in here some pages that do not contain classified information, due to the need for maintaining continuity of the information and in going from white pages to green or unclassified to classified.

Mr. DEAN. It was just on a question of the sensitivity of the storage sites, gentlemen.

Mr. COTTON. While you are discussing the matter of secrecy, and I am not asking this question with any idea of reflecting on the Commission, but I have before me a copy of the U. S. News and World Report, dated February 1, 1952. On the outside cover of that is a big placard which says, "New Atoms Weapons—Real Story," and in this widely distributed magazine there appears this article entitled "New Atom Weapons—Real Story."

Now, it goes on and gives a great deal of information about the type of new weapons we have.

In this article on page 13 there is a description of Army weapons, and it goes on and talks about atomic howitzers, and how they would be operated, and atomic guided missiles, and radiological weapons. It gives a chart of the plants and it undertakes to say, in a general way, what processes take place at the different plants. It gives the appropriations that they say will be granted, or have been granted from 1946 to 1951, and that will be granted in 1952, and even in 1954. I suspect that some of those figures may have been those presented to the Bureau of the Budget. It goes into Navy weapons, giving a tremendously long list of them. It seems to me that in this article there is some information that may be correct or may not be correct. When we get into this committee we have great secrecy about these matters and properly so. I am just wondering where this article came from and where they got the information, and if you know anything about it?

Mr. DEAN. In answer to your question, we do not know the source of the article, Mr. Cotton. It was not submitted to the Atomic Energy Commission.

As far as the specifics in here go, referring specifically to atomic howitzers, for example, I think the first statement on that was made 2 years ago by General Collins to the effect that we were developing those projectiles.

All that we have said subsequently, so far as AEC was concerned, is that what he said was true, we are developing atomic howitzer shells. We have never indicated to anyone whether we have tested them, whether they are in stock, how many we have got, or what they look like, or anything else.

I have read that article, but I do not recall all of the items in there, Mr. Cotton.

Mr. COTTON. Well, whether the information contained therein is correct or incorrect, it impresses me that there is far more information in this article than we are getting in this committee. It may be someone's guesses, but correctly or incorrectly there is a lot more detail in that article than we are permitted to have, and it impressed me last year and also this year that we get in here and hedge around, and are very properly worried, of course, about what is on the record and what is off the record, and yet you walk out and pick up an article of this kind in newspapers that are widely circulated to the public. They must be getting this information somewhere. Is it from the Army, the Navy, or the Atomic Energy Commission? I feel it proper to inquire where this information comes from that appears in the public press.

Mr. DEAN. I do not know where that information came from; I wish I did. If it came from an informed source, a person who had access to restricted data and information, then I would certainly be worried about it. If it comes from a person who is simply speculating about it, then I suppose we can say it is significant or not, depending on what the other side believes of it.

Mr. COTTON. I have just one more question, and I will not take up any more time. There may be one, but you do not make a practice of putting out a chart which is distributed to the public showing your plants, and indicating what particular weapons or processes are going on in each location, do you?

Mr. DEAN. Only to this extent, that we have published for several years now what is called a general-flow diagram indicating that plutonium is made at Hanford, and U–235 at Oak Ridge, and that there are other materials which comprise feed materials prior to that point.

Mr. COTTON. Right or wrong, this sets forth charts and indicates where atomic submarines are being experimented on, and so forth, and where different processes are being carried on. Is not that rather harmful to the public interest?

Mr. DEAN. I would like to read the magazine article again after you have questioned us to determine what portions of it seem to be significant and, if possible, run down the lead.

PLANT AND EQUIPMENT
WEAPONS

Mr. GORE. Colonel, let us turn to the construction, plant, and equipment part of your budget.

Colonel FIELDS. May I say on this, sir, that of this $55 million, $41.6 million, approximately, is to complete projects which were authorized and initiated in prior years for which funds were appropriated only in part.

Now, those projects are identified on page 798. Now, if I may go off the record for a moment.

(Discussion off the record.)

Mr. GORE. All right, now, back on the record. For what purpose will you incur a cost of $89 million?

Colonel FIELDS. Of that $89 million—I believe this should be off the record, if it may.

Mr. GORE. All right.

(Discussion off the record.)

Mr. GORE. Thank you, Colonel.

The reporter will include at this point in the record an exchange of letters between Dr. Hafstad and myself.

Dr. HAFSTAD. Thank you.

(The matter referred to is as follows:)

UNITED STATES ATOMIC ENERGY COMMISSION,
Washington, D. C., January 7, 1952.

Hon. ALBERT GORE,
House Appropriations Committee,
House of Representatives, Washington, D. C.

DEAR MR. GORE: For the last 3 years in succession at appropriations-hearings time, you have personally asked me whether we had yet been able to light an electric light bulb with electricity generated from atomic energy. Each year you have listened patiently to my explanations as to why this had not yet been done and accepted my promise that it would be accomplished shortly.

As you have no doubt read in the newspapers, this step has now been accomplished in connection with the experimental breeder reactor at Arco. Enclosed is our official news release and four pictures, one of them showing a photograph of the light bulbs energized by atomic energy which I have so long been promising you.

Sincerely yours,

L. R. HAFSTAD,
Director of Reactor Development.

CONGRESS OF THE UNITED STATES,
HOUSE OF REPRESENTATIVES,
Washington, D. C., January 11, 1952.

Mr. LAWRENCE R. HAFSTAD,
Director of Reactor Development,
Atomic Energy Commission, Washington, D. C.

DEAR MR. HAFSTAD: Your letter is interesting, encouraging, courteous, and in delightful good taste. Congratulations.

I will be seeing you at the committee.

Sincerely yours,

ALBERT GORE, M. C.

Mr. GORE. Doctor, for each of the last 3 years I have inquired of you when you were going to illuminate an incandescent light bulb from atomic energy. Each time you have said, "We hope to do it before we are back here next year." I was glad to get the letter from you stating that the bulb was burning.

Dr. HAFSTAD. Thank you very much.

Mr. GORE. Now tell us about it.

Mr. HAFSTAD. About this particular item?

Mr. GORE. Yes; and its significance.

Dr. HAFSTAD. I would be glad to do that.

As you know we have all been thinking and talking about the possibility of getting electrical energy for civilian purposes from the atom ever since the fission process was discovered.

We have repeatedly stated, and have tried to convey to the general public, that this was technically feasible, but we were not doing it because it was uneconomical. In other words, that the cost per kilowatt-hour of getting electric power from the atom would be higher than it would be getting it from coal.

For that reason we felt it unwise, and have resisted efforts, to embark on a major reactor program for the express purpose of demonstrating electrical power only for civilian uses.

As I have explained before, an experimental breeder reactor is one which is primarily concerned with the breeding process, which itself is interesting because it will make possible the utilizing of uranium 238 in addition to the small fraction—U–235—of natural uranium which is normally fissionable.

Our breeder program itself is something which we must exploit as hard as we can. As an incidental test in connection with the building of the breeder reactor where we had to have high power and high temperature anyway we added the necessary components, electrical generators, steam converters, and so forth, to make this demonstration.

That is what was accomplished at Arco last fall. As we emphasized when the news was released, this represents the first time in history that electric power has been generated from the atom.

We also emphasized the fact that this power at the present time is uneconomical and costs much more per kilowatt-hour than electric energy generated from coal.

I think that is a short statement of the situation.

Mr. GORE. But it does demonstrate that it can be done.

Mr. HAFSTAD. Yes; very definitely.

Mr. THOMAS. Do you have the comparative figures of 2 mills against $4, as given by Mr. Charles Wilson. Is that the correct figure?

Dr. HAFSTAD. We are much better than that.

Off the record.

(Discussion off the record.)

OPERATIONS

REACTOR DEVELOPMENT PROGRAM

Mr. GORE. We will include in the record at this point pages 171 and 172.

(The matter referred to is as follows:

Operating program summary and narrative statement

	1951 actual	1952 estimate	1953 estimate
Research and development:			
Specific reactor projects	$32,583,388	$46,713,135	$62,905,300
General reactor research and development	6,593,009	11,627,265	15,106,000
Operation of specific reactors and processing plants	1,395,614	6,863,600	14,388,700
Total accrued costs	40,572,011	65,204,000	92,400,000

In the reactor-development program nuclear reactors and ancillary equipment and facilities are being developed to improve production of fissionable material; to be primary energy sources for naval vessel and military aircraft propulsion systems; to produce fissionable material as joint products or by-products of military and industrial applications; and to be research tools.

The program in 1952 and 1953 continues to rise rapidly under pressures for new or more efficient reactor designs. The ground work for this growth was laid in 1949 with establishment of a new Division of Reactor Development to coordinate and direct a vigorous program to develop new reactors. Staffs of the Commission laboratories were strengthened and several major new contractors were engaged to supplement their efforts. The cumulative effect of strengthening staffs plus the addition of new contractors since that year has resulted in the gaining of a greater amount of knowledge in reactor technology. This foundation is now serving to permit an increase in the number of new reactor concepts which can be developed simultaneously. It also serves to shorten the over-all development time.

The development program continues to be centered primarily in Commission-owned laboratories but we are turning more and more to new indunstrial contractors to accomplish additional growth. Percentagewise the growth of reactor-development programs in Commission-owned facilities in 1952 is 29 percent and a further 14 percent rise in 1953. Compared to this, the increase in industrial contracts in 1952 is 265 percent with a further increase of 177 percent in 1953. This shift is permitted by the growing interest of business in the program and the fact that engineering is playing a relatively larger part than it formerly did.

Major increases are planned in the development of improved production reactors and mobile propulsion reactors. General reactor research also is expanding to permit work on breeding studies now that the experimental breeder reactor is operating, and to increase the effort on new designs, waste treatment and improved chemical separations. Work on improved materials continues to be a major activity. Total costs of operating plants rise as the number of such plants increases.

Outstanding achievements in 1951 were the virtual completion of development of the experimental breeder reactor and the materials testing reactor and the achievement of large-scale production of zirconium and beryllium.

An analysis of the development effort between major laboratories and contracts is shown in the following table:

Activities	1951, actual	1952, estimated	1953, estimated
A. In AEC-owned facilities:			
Argonne Laboratory, Du Page, Ill.	$9,121,862	$9,149,700	$12,308,400
Brookhaven Laboratory, Long Island, N. Y.	507,236	1,127,100	1,127,000
Knools Laboratory, Schenectady, N. Y.	8,413,683	9,186,900	9,982,000
Mound Laboratory, Dayton, Ohio	215,932	272,000	286,000
Oak Ridge Laboratory, Oak Ridge, Tenn.	9,019,874	11,525,085	14,573,500
Pittsburgh Laboratory, Pittsburgh, Pa.	7,152,253	13,515,200	17,919,300
Reactor-testing station, Arco, Idaho	1,999,533	6,674,450	9,153,200
	36,430,373	51,450,435	65,349,400
B. Major continuing contracts in non-AEC-owned facilities:			
Battelle Memorial Institute, Columbus, Ohio (Chicago area)	580,298	844,200	811,700
Brush Beryllium Co., Cleveland, Ohio (New York area)	0	150,000	141,200
General Electric Co., Lockland, Ohio (Lockland area)	0	4,337,000	9,408,000
Massachusetts Institute of Technology, Cambridge, Mass. (New York area)	608,697	475,000	447,100
North American Aviation, Inc., Los Angeles, Calif. (Chicago area)	1,420,400	2,233,800	2,840,700
Sylvania Electric Products Co., Long Island, N. Y. (New York area)	276,639	405,700	382,700
	2,886,034	8,445,700	14,031,400
C. Smaller contracts	1,255,604	3,312,700	1,893,800
D. Contracts not yet awarded	0	1,995,165	11,125,400
Total	40,572,011	65,204,000	92,400,000

Mr. GORE. Doctor, your requests are way up, both for specific reactors, as well as general reactor research and development, and also for operations, more than 100 percent for the operation of specific reactors and processing plants.

OPERATION OF SPECIFIC REACTORS AND PROCESSING PLANTS

Let us start with your operation figure. How can you justify requesting this committee to appropriate $14 million for a function for which you have for the present fiscal year $6 million and for which you had for the last fiscal year $1 million?

Dr. HAFSTAD. The story on that is that over the last several years we have been getting large sums of money from this committee to

build reactors and processing plants. Most of these were developmental jobs. We were not sure whether they would work or not. I want to emphasize that fact, that this whole development deal is a risky one. Essentially to date on the authorized reactors, we just have done the development work and carried through to the construction stage, and as in the case of experimental breeder reactor which I mentioned a short time ago, we have the thing built and operating. It was in a sense a starting program. Now we are approaching the stage where we are getting the pay-off by the operation of these reatcors, by the measurements we get in operating the reactors, and for that reason I believe that this item, of all items, is one which we must be able to justify.

Operating these facilities after we have spent large sums to build them, it seems to me follows as a matter of course.

We would have to go into more detail, I think, to see just how we are going to operate them, and what we are going to do at each of these reactors in order to justify the money.

So, I would rather not try to defend one big item, but go on to the details to see how each of these subitems add up, and justify each of those in detail.

Mr. GORE. All right, proceed to justify them, if you will.

OPERATION OF THE MATERIALS-TESTING REACTOR

Dr. HAFSTAD. Will you turn to page 228 of the justifications?

Mr. GORE. That is a classified sheet.

Dr. HAFSTAD. Yes, sir. This item is concerned with the operation of the materials-testing reactor. This reactor was built specifically to learn the behavior and properties of fuel elements, and so forth, under the conditions of high radiation which we are going to encounter in reactor operation.

For this reason we feel that the amount of emphasis that we are putting on this reveals the degree of trouble that we are having, and, therefore, the rate of progress in this field.

Now, the rate of progress is what we consider classified. I think that is the explanation of why this is classified. This can be on the record.

Now, turning to this sheet and off the record.

(Discussion off the record.)

Mr. GORE. Is that all the explanation you can give for this $14 million, or is there more explanation?

Dr. HAFSTAD. No; that is the $2 million item on page 228.

Mr. GORE. Which is part of the $14 million?

Dr. HAFSTAD. Yes, sir; which is part of the $14 million.

SUBMARINE THERMAL REACTOR

Dr. HAFSTAD. Then we move to page 229, and here we have the submarine thermal reactor. This will have to be off the record.

(Discussion off the record.)

Mr. GORE. I think you told us when you were here last year that the research had met with such success that you were leaping over the mock-up stage and actually building a reactor to go into a steel submarine hull.

Dr. HAFSTAD. That is true, and I again repeat it.

The installation out at Arco will be in a steel submarine hull of submarine dimensions, and all of the components will be of a type which will stand oceangoing use. They will meet the Navy specifications, in other words, and we will accomplish this in one spot as I reported last year.

Instead of having the long, slow struggle of getting something which would work on land, after a fashion, and then redesign this to go into the oceangoing version, we have made a unit at Arco, the first land-based prototype, very, very nearly the oceangoing version.

Mr. GORE. But it will not actually be used as a power plant for a submarine?

Dr. HAFSTAD. No, sir; it will not actually be used as a power plant for an oceangoing submarine.

Mr. GORE. I understood you to say last year that a reactor for actual use in an actual submarine would be constructed.

Dr. HAFSTAD. In that case I misled you, or you misunderstood me, because there has never been any kind of indication other than that we were going to build a land-based version and then an oceangoing version. The budget here carries some money for both of these.

Mr. GORE. Then there is a misunderstanding of what you mean by a land-based prototype. This is a land-based prototype of dimensions which you think will be proper for submarine installation?

Dr. HAFSTAD. I will try to give you some examples of the things which we have thought out ourselves to date.

By and large, the agreement with the Navy is that the Navy provides the submarine and all parts that do not partake of nuclear construction, and the Atomic Energy Commission covers those parts which involve the behavior of the neutrons, radiation, and so forth.

Now, you have control instruments on the reactor. These are necessarily nuclear because they control the behavior of the neutrons, and so forth.

We have more or less standardized versions of control instruments, but these would not stand Navy use. They will not stand the rough treatment they get in a rough sea and certainly will not stand depth bombing. For that reason we have had to redesign the conventional control units to stand the shock specifications of normal Navy operations.

Now, many of these things we have done in the land-based prototype.

That is what I referred to last year as jumping over the mock-up stage, which would be essentially nuclear performance without any of the Navy overtones.

Mr. GORE. When are you going to build an actual reactor that will actually go into a submarine?

Dr. HAFSTAD. We are starting that now.

Mr. GORE. When will you actually begin the operation of the land-based prototype reactor?

Dr. HAFSTAD. May I go off the record on that?

Mr. GORE. Yes.

(Discussion off the record.)

Mr. GORE. All right, we will go to something else. Can you give us any information on the record on the STR, or had it all better be off the record?

Dr. HAFSTAD. Let me try it two ways; first, answer your question directly off the record, and then rephrase it for the record.

(Discussion off the record.)

Dr. HAFSTAD. Now, to repeat for the record, the STR will be essentially a duplicate of a land-base prototype model with such improvements in the direction of reducing cost and improving performance as we have been able to introduce due to the things that we have learned during the construction of the land-based prototype model. I think that is safe.

Mr. GORE. How much money are you requesting for the STR?

Dr. HAFSTAD. We turn to the construction budget on that. That is on page 824. That is in the green sheets because we are trying to withhold the exact amount of effort that we have found it necessary to put into this activity. Whereas we give you on an unclassified basis the totals, the actual breakdown for each item is considered in the secret category.

Mr. GORE. Off the record, Doctor.

(Discussion off the record.)

Mr. GORE. All right, tell us the remainder of your story.

Dr. HAFSTAD. We covered operations.

Mr. GORE. Go back now to your big items.

EXPERIMENTAL BREEDER REACTOR

Dr. HAFSTAD. Yes, getting back to the big items in operations, to page 229 operations and submarine thermal, we turn to experimental breeder operation. This is a relatively modest item, although it does represent an important activity which we just cannot afford not to cash in on. We hope to learn from the operation of this experimental breeder reactor how probable it is that we will ultimately be successful with the over-all breeding program.

If and when we get into that it will represent again a lot of money, and it can only be justified if we have a very large pay-off if successful. What we are dealing with here is risk money which we are expending on things which may not work, but if they do work will have a really big pay-off. So, the experimental breeder reactor operation is a test whether the principle of breeding works.

PLANT AND EQUIPMENT

REACTOR DEVELOPMENT FACILITIES

Mr. GORE. All right, Doctor, come to your really large items now not under operation.

Dr. HAFSTAD. Specific reactor projects.

Mr. GORE. At this point, Mr. Reporter, insert in the record page 816 and the table at the top of page 817.

(The matter referred to is as follows:)

Detailed justification of construction

	1951 actual	1952 estimate	1953 estimate
Cost obligated	$52,556,879	$50,147,317	$44,100,000
Cost incurred	54,820,304	48,500,000	67,000,000

GENERAL

The reactor development program not only develops certain new and novel types of reactors, it also constructs those reactors and operates them. To accomplish the full responsibilities of the program it was necessary (1) to construct and equip laboratories capable of handling the specialized problems of reactor development; (2) to construct and equip plants to manufacture reactor grades of reactor materials such as beryllium and zirconium because there is as yet no appreciable commercial market for these materials and because the production is not yet on a routine basis; (3) to construct and equip chemical processing plants for the processing of spent fuels, treatment of waste products and other purposes; and (4) to establish a reactor testing station, where the hazards associated with reactor experiments could be reduced to a minimum.

The construction program in 1953 is primarily for building reactors, which requires 84 percent of the 1953 estimate as follows: (1) for completion of reactors under construction $12,811,006; (2) for starting new reactors, $23,000,000; (3) for facilities for reactor experiments and reactor modifications, $1,275,000; (4) for a total of $37,086,006. The balance, $7,125,000, provide $2,415,400 more for the chemical plant at the Reactor Testing Station, Arco, Idaho, and $3,631,379 for several pilot plants in which to study chemical processes, and for alterations at new and existing facilities; and $967,615 for restoration of leased laboratory premises at the University of Chicago and Palos Park, Ill.

A brief analysis of the purposes for which construction funds have been obligated is as follows:

	1951, actual	1952, estimated	1953, estimated
1. Reactors, reactor experiments and closely related facilities	$27,096,904	$36,687,298	$37,086,006
2. Chemical processing plants and material production plants	17,473,783	8,963,905	4,044,400
3. Laboratories and supporting facilities	5,208,140	3,103,936	2,839,594
4. Reactor testing station, central facilities	2,778,052	1,392,178	130,000
Total	52,556,879	50,147,317	44,100,000

The work will be conducted by the following administrative areas:

	1951, actual	1952, estimated	1953, estimated
Argonne Laboratory, Du Page County, Ill	$620,885	$785,593	$1,993,920
Pittsburgh Laboratory, Pittsburgh, Pa	23,025,988	17,530,614	5,000,000
Reactor testing station, Idaho Falls, Idaho	23,630,768	11,969,598	2,906,406
Knolls Laboratory, Schenectady, N. Y	2,805,712	18,811,100	7,900,000
Oak Ridge Laboratory, Oak Ridge, Tenn	2,256,091	764,000	620,674
Mound Laboratory, Dayton, Ohio			155,000
New York area	217,525	286,412	174,000
New projects, not yet assigned to areas:			
New reactors and reactor experiments			23,700,000
Plant alterations			750,000
Chemical process pilot plant			900,000
Total	52,556,879	50,147,317	44,100,000

SPECIFIC REACTOR PROJECT

Dr. HAFSTAD. Perhaps the most revealing presentation of this is on page 188. You want the construction of specific reactors?

Mr. GORE. Your specific reactor project.

Dr. HAFSTAD. Pages 816 and 817 are unclassified.

Mr. GORE. They have already gone into the record.

Dr. HAFSTAD. Each of the items is mentioned here in the white sheets, and more information is given on page 824 for the construction items, classified.

Mr. GORE. All right, off the record.

(Discussion off the record.)

Mr. PHILLIPS. We have already been over that.

Dr. HAFSTAD. We were looking at the submarine thermal reactor.

SUBMARINE INTERMEDIATE REACTOR

We are moving on to the submarine intermediate reactor. This is money for the General Electric study, looking toward the same end result in a practical unit for a submarine.

Mr. GORE. You are trying to do it two ways?

Dr. HAFSTAD. Yes. Off the record.

(Discussion off the record.)

POSSIBILITY OF A NUCLEAR POWERED AIRPLANE

Mr. GORE. You gave us a statement this morning off the record about a reactor for an airplane. What statement can you make, or will you now make a statement for the record with respect to that?

Dr. HAFSTAD. As has long been obvious, with the enormous concentration of energy represented in the fission process of releasing atomic energy, it has been natural to think of the possibility of a nuclear-powered airplane of relatively indefinite range. It is recognized generally that this is an extremely difficult problem, because in addition to the requirement of enormously high power you have to have very light weight. This, on the fact of it, is almost impossible because with high power you have to have very high shielding weights in order to protect personnel.

We have been engaged for some time in studying design problems, and making component studies looking toward this possibility, and these will continue.

Now, off the record.

(Discussion off the record.)

Mr. GORE. Thank you, Doctor.

Mr. PHILLIPS. Are you aiming at speed or long flight?

Dr. HAFSTAD. In this field the long flight comes automatically. We have range because of the enormous reserve of nuclear energy. What we are fighting for is speed.

Mr. GORE. We will see you at 10 o'clock tomorrow, Doctor.

THURSDAY, FEBRUARY 7, 1952.

Mr. GORE. The committee will come to order. We are glad to see Mr. Jesse Johnson back this morning. It was not my purpose to give you a bad day yesterday, Mr. Johnson. I think you have done one of the really marvelous jobs in the job that has been done in increasing the supply of ore. I did want to point out the necessity of safeguarding a program that is fortunately growing by leaps and bounds.

Mr. Dean, do you have something that you would like to say at this time before we proceed with the hearing?

Mr. DEAN. Nothing in particular, except to say that we are ready to go now to the physical-research program.

Operations

PHYSICAL-RESEARCH PROGRAM

Mr. Gore. We are ready now to go into the physical-research program. We have a new man on the scene.

Mr. Boyer. Yes, sir, Mr. Chairman, Doctor Thomas H. Johnson, who is our director of physical research. Dr. Johnson is from the Brookhaven National Laboratory where he occupied the position of head of the physics department of that laboratory. We are pleased to have Dr. Johnson with us.

Mr. Gore. Doctor, we are glad to have you before the committee. We know that you are on a team that is doing a very vital job, and in my opinion, a very conscientious job. One of the things against which I think you and the Commission, and all of the members of the staff must guard is over-zealousness in which might lead to the uneconomical expenditure of money we do not have.

With that as a springboard, will you tell us how you have reduced the budget of the agency which you now head below that of your predecessor.

Dr. Johnson. The budget we are presenting here, Mr. Chairman, is very largely that which was recommended by my predecessor. I have only been in office about 2 months.

Mr. Gore. I understand so, Doctor.

Dr. Johnson. We are, however, scrutinizing our contracts very carefully to be sure that the work has a very direct and foreseeable bearing on the development of atomic energy.

BASIC AND APPLIED RESEARCH

Mr. Gore. As I understand it, your program is very largely basic research.

Dr. Johnson. It is about two-thirds basic research, Mr. Chairman.

Mr. Gore. What is the other third?

Dr. Johnson. The other third of the program is applied research, which is research undertaken for the specific purpose of developing information which is directly applicable to some project within the Commission.

DUPLICATION OF RESEARCH

Mr. Gore. Would not that duplicate some of the research work that is being done by Dr. Hafstad, or by the Weapons Division?

Dr. Johnson. No, sir, it is not an undesirable duplication of it. In some cases duplication is desirable.

Mr. Gore. Mr. Boyer, do you look into the possibility of duplicating where duplicating would be unnecessary and undesirable?

Mr. Boyer. We do that. As an example, in the field of raw-material research, the Raw Materials Division is interested in finding out how you find ore, and they perform certain research in those fields which is very programatic, in other words, research which is aimed at specific types of problems.

Dr. Johnson's group will do basic research in that field trying to uncover fundamentals and will go into some of these areas. Consequently, there is a relationship between the two, so that there is a parallel there, and sometimes there is an overlap, but we try to guard against that.

Dr. JOHNSON. In all of our planned projects we obtain concurrence from the other program directors and ask them to review the projects carefully to see that they are directly bearing on the problems which they encounter in their programs and which are not being adequately covered.

The reason we carry the projects rather than having them carried by the other program divisions is because of the fact that they are adjuncts to basic research in many cases, and it is a matter of continuity of supervision and coordination within the group.

Mr. GORE. Let us now go into the operations of your budget, Doctor.

OPERATIONAL ASPECTS OF BUDGET FOR PHYSICAL RESEARCH PROGRAM

Why, in your opinion, is it necessary to increase the operational budget for physics from $17 million to $20 million?

Dr. JOHNSON. Mr. Gore, I have a brief prepared statement regarding the budget as a whole. Would you like to have me give this to the clerk for the record?

Mr. GORE. I would like to have you read it.

Dr. JOHNSON. At this time?

Mr. GORE. Yes, at this time.

Dr. JOHNSON. This, I think, will explain our general philosophy, and some of the over-all aspects of the program.

In our appropriation request for the Physical Research Division, we are anticipating a $43.1 million program of basic and applied research in the physical sciences, which include chemistry, physics, metallurgy, and so forth.

This is 5.6 percent of the total operating costs of the Commission, and 16 percent more than was appropriated for research in 1952.

Two-thirds of our $43 million will be in support of research for acquisition of new basic knowledge in fields closely related to atomic energy, and one-third is for research undertaken to develop specific information directly applicable to projects within the Commission's program. In addition we are asking for $5.9 million in new research facilities.

DIRECTIVE TO COMMISSION

The Commission is directed by the Atomic Energy Act to carry on research in appropriate fields for the acquisition of new knowledge; the level of our research activity reflects the fact that nuclear science is new and relatively unexplored. Radical new discoveries resulting from basic research afford our best hope for substantial advances in the atomic race, and it would be shortsighted in the present international situation to rely entirely upon the knowledge we already possess. The fission of uranium and the making of plutonium are examples of discoveries resulting from basic research of the type we are carrying on under the program.

Those discoveries were made before our program and it is work of that type that we are carrying on here.

BASIC RESEARCH EFFECT ON WEAPONS AND PRODUCTION PROGRAM

There are many examples of more recent discoveries resulting directly from our own basic research which may eventually affect the weapons and production programs.

Mr. GORE. What are some of those?

Dr. JOHNSON. I would like to go off the record to state those in detail. I would be glad to give you a few examples.

Mr. GORE. Will you give us some of them? You are spending a lot of money for research, far more money than was spent in the first splitting of the atom.

Dr. JOHNSON. That is right.

Mr. GORE. Maybe we are overdoing the thing.

Dr. JOHNSON. To those who want a sound program I doubt even that this amount seems like a lot of money for research.

Mr. GORE. All right, give us some examples.

Dr. JOHNSON. This is off the record.

(Discussion off the record.)

Mr. GORE. All right, proceed with your statement, Doctor.

Dr. JOHNSON. It is difficult to cite examples of work or results which were first under our own program, and which are now affecting our weapons or our production programs on an operational or manufacturing basis. This is because our program is too new. We have only been going about 4 years, and ordinarily it takes about 10 years before research begins to be felt in production.

Of the funds we are requesting, $15 million will finance research in university and private laboratories, an increase of $3.6 million over last year; and $27.9 million is for research in the national laboratories, an increase of $2.2 million over last year.

Most of the increase in the university program will be directed toward closer participation in problems bearing directly upon weapons, raw materials, reactors, and production; and a similar increased emphasis is given to the work in the national laboratories.

LIMITATIONS ON RESEARCH PROGRAM

The research program is limited to its present level by the number of highly qualified scientists available for work in the appropriate fields. It is this factor more than any other that determines our rate of progress in the development of new weapons and other uses of atomic energy.

NEED FOR APPROPRIATION REQUEST

Mr. GORE. Doctor, I have listened to your statement to see if there would be anything in it to justify an increase in the appropriation request over last year. I was unable to find anything in it that cannot be said for an appropriation of $5 million instead of $20 million, or for an appropriation of $50 million instead of $30 million. It is all very good, but very general.

I suppose you plan to get into the details of why, in the operational budget, you request an increase from $37 million to $43 million.

Dr. JOHNSON. Mr. Gore, it is our belief that basic research pays large dividends.

Mr. GORE. Yes, we agree with that, Doctor, but let us get to the details. Why do you need $43 million instead of $37 million Thirty-seven million dollars is an awful lot of money for basic research.

Dr. JOHNSON. The answer to that, Mr. Chairman, is that we can use $43 million this year, whereas we could not have used $43 million last year in the support of highly qualified scientists.

Mr. GORE. Why is it that you can use it this year, and could not last year?

INCREASE IN NUMBER OF SCIENTISTS

Dr. JOHNSON. Because the number of scientists in America is on the increase. It is not increasing as fast as we would like to see it increase for the good of America, but, nevertheless, it is increasing, and we have more highly qualified scientists this year who are worth supporting than we had last year.

Mr. GORE. That is, supporting by scholarships?

Dr. JOHNSON. No, by giving them facilities and assistance to increase the volume and quality of their work.

ASSISTANCE PROGRAM

Mr. GORE. How fruitful has the assistance program been? Have you derived considerable benefit from the assistance program, or has most of your research fruit come from people employed directly by the Commission?

Mr. JOHNSON. The assistance program has been very beneficial. In the first place, let me point out, Mr. Chairman, that the universities are carrying something on the order of half of the cost of the assistance program. The number of scientists involved in the scientific assistance program is about as large as the number employed in the national laboratories. The cost of carrying a scientist in the assistance program is materially less than the cost of carrying one in a national laboratory.

Mr. GORE. I understand that, but I was trying to draw, if I could, a comparison, or get some measure of the value of the program and trying to relate it to the benefits that you receive from direct employment.

Dr. JOHNSON. A good deal of our basic work is done under the research assistance program. We put more emphasis on applied work in the laboratories.

Mr. GORE. Do you do it through individuals, or departments, or students? Tell us how you do it.

Dr. JOHNSON. The contracts to universities are let to the universities, but the contracts are given to those universities on the basis of the confidence that we have in the scientific leadership.

This means that we generally have one or a few individuals in mind who will assume the scientific responsibility for the proper conduct of the project, and for the efficient conduct of the project.

Mr. GORE. From what university have you received the greatest benefit in research, or would you like to say?

Dr. JOHNSON. I would not want to say from which one we have received the greatest benefit.

Mr. GORE. Could you name a few of the most beneficial?

Dr. JOHNSON. Yes, Mr. Chairman; I can name a few which have given us very great benefit.

One of them is Rice Institute in Texas where Dr. Bonner has carried on very significant work bearing directly upon our program of the fusion of light elements.

Another one is at Columbia University, where a great deal of basic work and growing out of that a considerable amount of applied work has been done on measuring the cross sections for neutron capture and neutron scattering of materials that are used in reactors.

CONTRIBUTIONS OF STATE UNIVERSITIES AND SMALLER SCHOOLS

Mr. GORE. How about the various State universities; are they contributing?

Dr. JOHNSON. We have important work going on in most of the State universities, or a good many of them. Most of them, I suppose, would mean 24 or more. I am not quite sure how many State universities are involved in this program, but many of the State universities are involved in it.

Mr. GORE. What about some of the smaller schools? Have you had any significant development, or discovery, or truth brought to light from some of the isolated small ones?

Dr. JOHNSON. The smaller ones have contributed important work. One outstanding example of that, I think, is Iowa State College, which, in my thinking, was always a small school, but it has done some of our best metallurgical work in uranium, zirconium, and thorium. We are actually supporting that project now almost on the basis as one of the national laboratories, but it has grown out of the work which was begun in a small way.

AEC OPERATIONS AT IOWA STATE COLLEGE

Mr. GORE. Is that work done by employed personnel, by faculty members, or students, or how is it operated?

Dr. JOHNSON. It works very closely in connection with the teaching programs in many cases. That is to say, the projects are built around an outstanding scientist who is there at the university because he is primarily attached to the university as a research man.

Mr. GORE. Now, you say that it has grown until it is supported almost now as one of the national laboratories. Do you employ people there, or do you reimburse them for the salaries of people employed there?

Dr. JOHNSON. At Ames we have quite a few people who are employed entirely with Commission's funds, from Government funds.

Mr. GORE. Under whose supervision do they work?

Dr. JOHNSON. They work under the scientific supervision of Dr. Frank Spedding, who is a leader in this field.

Mr. GORE. Is he paid by the college, or by the Commission?

Dr. JOHNSON. I do not know the details of that, Mr. Gore. I would assume he is paid by the college.

Dr. GLENNAN. He is paid by the college.

Mr. GORE. You have a large number of people employed there, and they are under the scientific supervision of one who, in turn, is not under your supervision, but who is an employee of the State university?

Dr. JOHNSON. Yes, sir; that is right.

Mr. GORE. What safeguard do you have that the people that you have employed actually work?

Dr. MCDANIEL. We have about 12 people employed in the local AEC office at Ames, Iowa, who directly supervise the reimbursable contract with Iowa State College.

Mr. THOMAS. You pay 450 employees in addition to the 12 who are directly under AEC. You have 450 on top of that that you pay at Ames.

Dr. MCDANIEL. That is right.

Mr. GORE. Do the 12 supervise the project?

Dr. MCDANIEL. They supervise the administration of the contract.

Mr. GORE. They do not supervise the project?

Dr. MCDANIEL. No, sir; they do not supervise Dr. Frank Spedding. The scientific leadership supervision comes from Dr. Frank Spedding.

Mr. GORE. Are all of these 450 people scientists?

Dr. MCDANIEL. No. These are all kinds of employees, but Dr. Frank Spedding does the supervision of the entire program there including the supervision of the program under the contract. Periodic checks are made, and every year the Director of the Division of Research and his staff go over the program in detail.

Mr. GORE. What is your title?

Dr. MCDANIEL. Deputy Director of the Division of Research.

Mr. GORE. You are stationed here in Washington?

Dr. MCDANIEL. Yes, sir.

Mr. GORE. Were you stationed at Ames for a while?

Dr. MCDANIEL. No, sir; I have never been assigned there myself as an employee.

Mr. GORE. Who is stationed there as head of the project?

Dr. MCDANIEL. W. W. Lord is head of the AEC operations office there.

Mr. GORE. This program has spread over a thousand places, all over the lot, not only research, but everything.

Dr. JOHNSON. That is right.

Mr. GORE. How we are going to get the loose ends together, and how the Commission is going to do it, I do not know.

Do you have any confidence, Mr. Boyer, that it is not almost literally beyond the rigid control of the Commission and the managership of the Commission?

RESPONSIBILITY FOR DIRECTION OF PROGRAMS

Mr. BOYER. I might say that the top organization we have is responsible for directing these programs.

Our Research Division has the responsibility of directing and coordinating the research program; our Production Division has the responsibility of directing and coordinating the production programs, and the Division of Military Application has the responsibility for directing the weapons programs, and biology, and medicine likewise in its field.

Our organization is built up with that purpose in mind, in order that we may determine the scope of the program. We must select capable contractors, and we must see that we get performance from them.

FEES

Mr. GORE. Dr. Spedding is, from the size of the operation just described, really the contractor with the Commission.

Mr. BOYER. Substantially so, yes, sir.

Mr. GORE. Is he paid a fee?

Mr. BOYER. Yes, Ames College is paid a fee.

Mr. GORE. The doctor himself is not paid?

Mr. BOYER. No; he is paid by the college.

Mr. GORE. What kind of a fee is the college paid?

Mr. BOYER. I will have to ask Dr. McDaniel to answer that.

Dr. MCDANIEL. It is on the order of $140,000 a year.

Mr. GORE. $140,000 above expenses?

Dr. MCDANIEL. Yes.

Mr. GORE. These fees are running about as wild.

Dr. MCDANIEL. This fee is for the contractor's expenses for salary and laboratory overhead not otherwise reimbursable under the contract.

Mr. GORE. Every contractor, even down to the operator of a little camp in the Nevada mountains, is paid a big fee. It is pretty fat business.

Mr. BOYER. This question of fees is one that we give continual study in our organization.

Mr. GORE. That same statement has been made to us for the last 4 years, continual study, and yet the only thing that has happened to them is that they have grown bigger with the exception of the Roane-Anderson fee, which we cut in this committee. The Commission screamed to high heaven and said it was going to ruin the atomic-bomb program if it was cut. Apparently it is still going, even though the fee was cut. I think at this time the committee may do some more cutting.

FEE PAID IOWA STATE COLLEGE

Dr. GLENNAN. May I speak on this Iowa State College problem, Mr. Chairman, because it is quite different from some of the other fee problems.

The manner in which the university's contract with the Government is handled is that the university is reimbursed for salaries, and that portion of the salary of an investigator who is working directly on the project, plus the salaries of persons employed there, such as machinists, technicians, and so forth, that is, all of the people who are working full time in the laboratories, and so forth. The rental for the space that we occupy, utility charges and things like that very probably are not included as a direct charge, but come under that fee of $140,000.

It is a little different type of operation from the ordinary commercial operation where a fee is paid.

Mr. GORE. $140,000 is a lot of utility rental.

Dr. GLENNAN. Yes, but maybe there is a substantial amount of space involved there, and I think that there is.

Dr. JOHNSON. I also think the chances are that Dr. Spedding's salary, for instance, is paid out of that fee.

Dr. MCDANIEL. Dr. Spedding's salary is directly reimbursed under the contract.

Dr. JOHNSON. I see.

Mr. GORE. I think we should have for the record a detailed analysis of this contract and of the fees. Dr. Johnson says that one thing is probable, and you say that is not the case.

(The information is as follows:)

STATEMENT ABOUT CONTRACT W-7405-ENG-82 IOWA STATE COLLEGE, AMES, IOWA

1. *Term of contract—Effective date.*—May 1, 1943. The contract was executed by the Manhattan Engineer District following termination of contract No. OEMsr-433, Office of Scientific Research and Development. The War Department contract was assumed by the Atomic Energy Commission on January 1, 1947.

Current expiration date.—June 30, 1953. This contract in all likelihood will be continued beyond that date.

2. *Scope of work.*—This contract currently provides for research and development to be conducted principally in Government-owned facilities recently constructed for the purpose on ground leased to the Government for 99 years. Until the latter part of 1951 work was principally in the contractor's facilities. The scope of the work is defined in the contract as follows:

"ARTICLE 1—SCOPE OF WORK

"The work to be performed by the College under this contract shall consist of doing all things and furnishing all necessary personnel, facilities, and supplies for the following activities:

"1. Studies and experimental investigations on such problems related to the field of atomic energy as are agreeable to the College and are authorized by the Commission. This work will involve such subjects as metallurgy, radiochemistry, chemical engineering, physics, chemistry and others.

"2. Development work with materials such as thorium and beryllium as authorized by the Commission and agreeable to the College.

"3. Assistance and consulting services, both within and outside of the United States, to the Commission and its contractors as mutually agreeable.

"4. Such engineering services and construction work as the College is in a position to carry out in connection with any new construction or alterations which the Commission might decide upon for use under this contract.

"5. The training of technical personnel in nuclear physics, chemistry, and related fields where consistent with the work defined in this article.

"6. Activities designed to stimulate and encourage the dissemination of information relating to atomic energy, consistent with security requirements, in order to promote scientific progress and to achieve a more widespread understanding of the opportunities and problems of atomic-energy development."

3. *Fee provisions.*—No fee is paid on this contract. The contractor is reimbursed for all costs related to the work, including overhead.

4. *Overhead provisions.*—The overhead provisions of the contract have been modified on several occasions since the inception of the contract in 1943. The present overhead agreement, adopted in May 1948, provides for the payment of overhead to be computed in accordance with generally accepted accounting principles consistently applied and in accordance with a formula mutually agreed to by the contractor and the Commission. Under this agreement, a provisional overhead payment in the amount of $275,000 per year is made to the contractor in monthly installments. Following the close of each fiscal year, a determination of the actual amount of overhead due under the formula is made by the contractor subject to approval by the Commission and an adjustment in the provisional payments is subsequently made.

For the fiscal year 1949, the overhead payment was $225,153.45, which is approximately 39 percent of the salaries and wages paid as direct costs under the contract or approximately 19 percent of the total reimbursements to the contractor for that fiscal year. For the fiscal year 1950, the overhead determination was $227,176.60, which is approximately 32 percent of the salaries and wages paid as direct costs under the contract or approximately 15 percent of the total reimbursement to the contractor for that fiscal year.

The salary of Dr. Frank Spedding, director of the laboratory, is a direct cost under the contract and is not reimbursed through the overhead provision.

The overhead payments for the fiscal years 1949 and 1950 included substantial charges for facilities and services provided by the contractor. Because of gradual removal of Government activities from the contractor's facilities to Government-constructed facilites, it is expected that the overhead payments for

the fiscal year 1951 and subsequent fiscal years will be substantially less than for the previous years. A final determination as to the overhead payments for the fiscal year 1951 has not, however, yet been made.

FEES

Mr. BOYER. I want to address myself to this question of fees generally.

Now, our fee control is good.

We use a fee basis for our construction program, and that represents the maximum fee that anyone contracts for. We negotiate our fees, and many of them fall below that. You are familiar with the fact that some of the fees are $1.

Mr. GORE. I am not familiar with any fee which, in my opinion, is justified, Mr. Boyer.

Mr. BOYER. You say that a fee of $1 is not justified in your mind?

Mr. GORE. I am not acquainted with any fee that is $1.

Mr. BOYER. The du Pont contract, of course, is done for a fee of $1, and the General Electric contract is carried on for a fee of $1, and the Sandia Corp. carries out their operation for no fee at all, not even a dollar.

Mr. GORE. I had read that the du Pont fee was $1, but I want to know what allowances or benefits they receive under another designation. What about a fee of $19,000 for the fellow who operates a little camp out in the mountains?

Mr. BOYER. Then you get into the philosophy as to whether or not a man who works for the Government and carries out contracts for the Government is entitled to receive a fee. In many instances those people are in organizations which otherwise would return a profit to them and their stockholders.

RISKS IN OPERATIONS

In my estimation a contractor is entitled to a fee. The amount of the fee must be subject to negotiation, and must take into consideration the risks he has to assume, and you must recognize the fact that in order to get some of these people to work they must be able to earn some money with their organizations, and with their efforts.

Mr. GORE. Also to be taken into consideration is the amount of investment involved. When you speak of risk it seems to me that the Commission assumes all of the risks in these operations. The man is reimbursed for everything, including his loss, and given protection against liability of loss, which we call risk. I think it might be very well to make a special study of this whole question of fees.

LEVEL OF RESEARCH PROGRAM

Doctor, you have not told us yet why you need $6 million more money except that you can get more scientists.

Dr. JOHNSON. The level at which one should carry on a research program is a question which is an extremely difficult one to answer.

When you start on your project, or any research program, you do not know whether it is going to be worth while in dollars earned or profit accrued or not. We do know now from experience that

the whole program pays large dividends, as evidenced by some of the excellent results which I have cited.

The level at which research, in my opinion, should be carried on is the maximum level at which it can be carried on efficiently with the funds that are available and with the potential manpower that we have in this country.

Mr. GORE. Are you saying now that $43 million is the maximum amount that you could use for research?

Dr. JOHNSON. No, sir; it is not. We could use double that amount, but we would soon be getting into the marginal projects where we would not have as much confidence in the scientists who would be working on them as we have if we can keep it at this level.

Mr. GORE. You support the recommendation of the budget?

Dr. JOHNSON. I do, sir.

Mr. GORE. Dr. Smyth, you seem to have something you wanted to say.

INCREASED COST APPLICABLE TO NEW MACHINES

Dr. SMYTH. Yes.

There is one specific element which I think should be brought to the attention of the committee. For a number of years we have been building big nuclear machines and big cyclotrons. A specific example is the so-called cosmotron at Brookhaven. Now, this machine is just about completed, and we hope to run it within the next 6 months.

Therefore, at this time we are beginning to get the costs for operating these and other machines which are appearing in the operating budget.

I believe this is a substantial item in this increase which you have figured there.

Dr. JOHNSON. Yes, it is. About $1 million of the increase here is due to the cost of operation of the cosmotron at Brookhaven and the operation of the bevatron at Berkeley. Then there is $2.8 million of the increase which is associated with the expansion of these and other projects which are also concerned with new facilities.

Mr. GORE. Then it is not all a question of availability of personnel.

Dr. SMYTH. No, it does not seem so to me, but obviously you cannot operate these machines if you cannot get the men to work on them, and we would not have built these machines if we had not hoped to get men to work on them. There is a big investment which has been made in those machines, and we want to realize on that investment by using the proper type of men to operate them.

Mr. GORE. A million dollars is a lot of money to operate any kind of a machine. Although I am not advised as to the technical quality of the machines, it seems like a lot of money for the operation of a machine.

Dr. SMYTH. No, sir, I think not, if you consider the character of the machines. Of course, these problems have been under consideration for a long time, and there has been a general increase in the cost of facilities, and the cost of operating facilities involved in research, and that is one of the reasons why the universities that went into Brookhaven were enthusiastic about having a National Laboratory like Brookhaven where they would have facilities which the universities perhaps could not afford to operate as individual institutions. Actually I think that Brookhaven is beginning to pay off

very well, and the cosmotron is coming along well. It will get us into a much higher energy region than the big Berkeley cyclotron. Therefore, I do subscribe to Dr. Johnson's general philosophy, but I appreciate the fact that you want some specific reasons for this increase.

Dr. JOHNSON. I think it is just two ways of saying practically the same thing.

INCREASING COSTS TO MAINTAIN THE SAME LEVEL OF OPERATIONS

Dr. SMYTH. Of course, there is the other reason, which I have heard a great deal about from my own university, and that is the problem of the increased cost of maintaining the same level of operations.

Nobody expects a university to keep up with the increased costs in terms of their regular employment, as they are not able to. I do not know how much that factor accounts for the increase in the budget.

INCREASED COSTS APPLICABLE TO NEW MACHINES

Dr. MCDANIEL. In addition to the Brookhaven cosmotron and the bevatron at the University of California, other machines will be coming into operation in 1953 at Duke University, Rice Institute, California Institute of Technology, and the University of Minnesota. They are all building machines which fall into this category, and which are just now coming into operation. So, the $1 million that we are talking about here is not for just those two machines, but six or eight of them which are coming into being.

BUDGETARY NEEDS AND REQUESTS OF AEC

Mr. GORE. Chairman Dean, this discussion this morning illustrates conclusively, it seems to me, how impossible it is for this subcommittee, in the matter of a few days, or even a few weeks to examine in detail all of these far-flung operations.

One also gets the impression that it might be beyond the Commission, unless you have some systematic way of reaching a determination of the budgetary needs and requests of these myriad operations.

I would like to know what system the Commission has for arriving at the extent of the work, the supervision of the work, and the amount of money which you recommend to the Budget Bureau and to the Congress.

AEC BUDGET PREPARATION

Mr. DEAN. The system is usually this, we take certain budget assumptions which are given to us by the Bureau of the Budget, such as the assumption that there will be no increase in wages during the fiscal year. Our program directors send these to our operating offices, and they work up the first draft of a program that makes sense to them.

These are reviewed in Washington by each of the program directors, the head of the Reactor Division, the head of Military Applications, and so forth. Then inside of our shop we have a separate group, people who are not program directors, people who do nothing but

question the items back and forth. They are kind of a nasty team that goes right down the line and makes them justify all of the items set forth. Then the Commission usually spends about 3 days in a detail budget review of each one of these programs—perhaps not 3 days—this time, in fact, it came to 2 days, and then it goes to the Bureau of the Budget, and then there are many days spent back and forth between the Bureau of the Budget and ourselves, and then it comes up here to the Hill.

Mr. GORE. It strikes me that 2 days is a mightly small amount of time for the Commission to spend on a review of the budget.

Mr. DEAN. We really spent more than that, Mr. Gore. Those are the justifications themselves in the form you have them here, but this review of the program is a constant thing.

IMPORTANCE OF IOWA STATE COLLEGE TO AEC PROGRAM

You have made reference, for example, to the Iowa State College at Ames. I do not think the record indicates in any way how important Ames is to our program.

It so happens that the people at Ames were the most diligent in the field of rare earths. They are located there at Ames. It was at Ames, for example, where the first uranium metal was made during the war. The first uranium metal used was made at Ames.

Today we have a varied program going on at Ames. There is one field devoted entirely to utilizing rare earths, and then making combinations of two or more of the rare earths to see what kind of a product results.

There is no team anywhere in the country as well equipped and as talented as that group.

I am sorry we do not have them before us today, but we will certainly get for you the details of the Ames contract. I do not happen to carry them in my head, but I do know the director at Ames, I do know the people at Ames, and I do know it is a very important field of operation in every direction. They are the people now who are doing the work for us on thorium metal. They are making quite a substantial contribution to this new field. I have been there, and I know the people, and I have watched the program as much as any one commissioner can.

Now, adequate supervision of a program such as that is the responsibility of the program director, and he must work closely with the laboratory to see that foolish things are not done, and that things do not slip between the chairs that should be done.

NEED FOR BETTER BUDGET PRESENTATION

I agree with you that this is very complex, and I certainly agree with you that this committee is in a very difficult position to try to review all of the details that are in this budget. I could not help but think of that when I returned home last night after our session with you yesterday.

I would suggest one way in which we might present things a little better, perhaps, is to have more program budget meetings than are involved at the present time when we come up on appropriations.

Mr. GORE. I would like to know just what the Commission could do in 2 days. In fact, you cannot even read the budget in 2 days.

Mr. DEAN. Those 2 days just covered the formal Commission meetings on these justifications. We had the budget justifications on our desks long before that. We had presumably read it through.

Mr. GORE. You say "presumably." Is that a presumption in itself?

Mr. DEAN. I have not read every word in this four-volume justification; I might as well admit it, but I do know the important things in this justification, and the words to me are not too important because I think I know the program, and I think the other Commissioners feel the same way. This is simply a 2-day meeting where we sit down and go over the material as it is presented to you here, and detect any soft spots in it.

Mr. GORE. I must say that I am very much surprised that the Commission would not spend nearer 2 months than 2 days reviewing the budget before it is submitted to the Bureau of the Budget and the Congress.

Mr. BOYER. May I supplement those remarks, somewhat, Mr. Chairman?

Mr. GORE. They need supplementing.

Mr. BOYER. One thing that does happen throughout the entire year is that the major and many of the detailed items of the program come up to the Commission for Commission opinion, so that the actions that are reflected in this budget have had the Commission's consideration.

I think that was the point that Mr. Dean was making in saying that it was continuous, in effect.

Furthermore, he made reference to the staff reviews that come in. They come in, and it has been my practice to hold hearings with the division directors, which extend over a much longer period of time than 2 days. In many of these the Commissioners will attend the hearings from time to time and participate in the discussions of the program, so that when it comes to the Commissioners they have already been exposed to it in many ways, and they have made determinations on the programs that are reviewed by the budgets. In other words, this is a 365-day program, and not something that just comes up for 2 days.

Mr. GORE. That is all very good, but I would like to know whether the Commission, through Commission action, has actually concluded by some affirmative action of the Commission that the operations budget for physical research should be increased from $37 million to $43 million.

Mr. DEAN. They have; that is correct.

Mr. GORE. Can you cite an instance in which the Commission, sitting as a Commission, overruled the head of one of your operating divisions and reduced the budget?

Mr. DEAN. Oh, many, many times, Mr. Gore, on numerous occasions. We do that many times throughout the year before it gets to the Bureau of the Budget, and before it gets up here.

BUREAU OF THE BUDGET ACTION ON PHYSICAL RESEARCH PROGRAM

Mr. GORE. What did the Bureau of the Budget do about physical research when you sent your estimate to them?

Mr. MCCARTHY. For the physical research program, for operations, our estimate as transmitted to the Bureau of the Budget was $44.4 million. The Bureau of the Budget eliminated $1.3 million from the estimates we submitted.

There were two specific items which were cut, and the balance was attributed to the National Science Foundation increase which the Bureau was making on that program.

Mr. GORE. How long were you before the Bureau of the Budget?

Mr. MCCARTHY. I think our hearings ran approximately 10 days, 10 working days, Mr. Chairman.

Mr. GORE. Did you discuss each individual item?

Mr. MCCARTHY. Each item was discussed by the Bureau, and I think the physical-research program took the greater part of 1 day before the Bureau of the Budget.

DETERMINING SCOPE OF PROGRAM

If I may, I would like to supplement Mr. Dean's remarks by saying that, in addition to the general budgetary assumptions—that is, the Presidential policies pertaining to the coming budget—the assumptions that go out to each field manager also contain assumptions prepared by each director of a program division as to the scope of his program for the budget year. Any modifications to those must come in and be reviewed by the applicable director. The program assumptions are then reviewed by the general manager to determine the scope of the program, and then in turn reviewed by the Commission. It is only after approval by the Commission that they are transmitted to the field offices, so that each field manager has a bible on each program as to what work will be undertaken under the program. As the budget estimates of the field offices come in they are screened again in the same manner as the assumptions.

SCREENING OF 1954 BUDGET REQUIREMENTS

In fact, Mr. Chairman, the preparation and screening process on our 1954 budget is now under way, and the estimates go to the Commission sometime in August. So, during the whole period between January and August we are involved in the matter of screening the budget requirements before getting them over to the Bureau of the Budget about the 15th of September.

REDUCTION IN EXPENDITURES WITHOUT IMPAIRING AEC PROGRAM

Mr. GORE. This committee is looking for some help for some real reduction in expenditures that can be made without impairing the program.

I, for one, have been hoping for some help from the Joint Legislative Committee on Atomic Energy; but, as far as I am advised, this committee has never had one suggestion from the Joint Committee on Atomic Energy as to where we might save $1.

Mr. THOMAS. Not so far.

Mr. GORE. The only thing I have heard out of that committee is what a grand, great thing it is and that we ought to spend more money on it.

Let us go to the construction program, Doctor. This is your initiation.

Mr. COTTON. Mr. Chairman, could I ask one question before you go to that?

Mr. GORE. Yes; excuse me, Mr. Cotton.

ADDITIONAL BENEFITS FROM RESEARCH-ASSISTANCE PROGRAM

Mr. COTTON. I gather that these grants or contracts to universities have a twofold purpose. The primary one, of course, is to get certain specific research projects under way and to get information.

Dr. JOHNSON. That is right.

Mr. COTTON. Am I correct that a secondary consideration is to encourage the training and development of scientists along these lines, so that you will have a continuing reservoir of trained, scientific talent in this country?

Dr. JOHNSON. That is true, and the two objectives are realized at once. It is two parts of the same thing.

PRIORITY ON RESEARCH MEN DEVELOPED PARTIALLY AT AEC EXPENSE

Mr. COTTON. Do you ever attach any strings on these grants or contractual relations with the colleges and universities so that you get some prior claim on the services of some of these young men who are being developed, partially at your expense?

Dr. JOHNSON. It is impossible to do this formally, but men naturally go in the direction in which they have developed and have experience. So that if they had their graduate training in a field of interest to the Commission, the chances are fairly good that they will seek employment with the Commission.

Mr. COTTON. You mean you cannot do it formally, since you do not actually grant the individuals scholarships or fellowships?

Dr. JOHNSON. You could get their services for 1 year, but you cannot tie a man down to a particular kind of employment after he gets through his education.

Mr. COTTON. Well, the United States of America did that in the case of medical students who were partially educated at Government expense; we got some priority on them, did we not?

Dr. JOHNSON. I am not familiar with that.

Mr. COTTON. I think it was done with wartime students.

OVERLAPPING IN BASIC RESEARCH

Is there some overlapping in this basic research as between the results that directly concern national defense, that is, the destructive power of atomic energy and the civilian and industrial uses? Are you getting some results on the peacetime uses as a part of your research?

Dr. JOHNSON. Anything that we learn about the atom or materials going into reactors helps both ways.

Mr. COTTON. Do you follow up to some extent, the nonmilitary lines of research?

Dr. JOHNSON. Yes, sir.

COLLABORATION WITH NATIONAL SCIENCE FOUNDATION

Mr. COTTON. Now, I understand that the congressional thought in creating the National Science Foundation specifically separated its activities from the activities of atomic research, but do you have any collaboration with that organization?

Dr. JOHNSON. Informally.

Mr. COTTON. Have they ever done any checking with you on your basic research?

Dr. JOHNSON. We get together on matters of policy as to what fields we shall support.

FIELDS OF RESEARCH RELINQUISHED IN FAVOR OF NATIONAL SCIENCE FOUNDATION

Mr. COTTON. Have you ever surrendered any field to them or relinquished any particular line that they took over?

Dr. JOHNSON. Yes, as for example the fellowship program. The policy program as a whole is submitted to the National Science Foundation, and there are other fields of research where we have been interested, and have relinquished our interest in favor of the National Science Foundation.

GENERAL SUPERVISION AND COORDINATION OF BASIC RESEARCH BY NATIONAL SCIENCE FOUNDATION

Mr. COTTON. Have they ever suggested to you the curtailment of any basic line of research that you are engaged on, and that they would take it over and have handled elsewhere?

Dr. JOHNSON. Not specifically; I do not think they have had funds to do it yet.

Mr. COTTON. That is, to take it over?

Dr. JOHNSON. Yes, sir.

Mr. COTTON. But they claim to exercise certain general supervision and coordination of all basic research in all this Government. I do not ask one scientist to ever criticize another, but have they yet gotten to the point where they are exercising that coordinating influence with you?

Dr. JOHNSON. Yes, sir. We have frequent meetings with Dr. Waterman and Dr. Klopsteg in discussion of the scope of our programs.

FEDERAL AGENCIES ENGAGED IN EXPERIMENTAL RESEARCH WORK

Mr. PHILLIPS. I would like to expand on Mr. Cotton's question, about the other agencies engaged in experimental work. We spend a good deal of money in this Government for research. What relationship have you to the Department of Agriculture, for example, and their research? Can this committee, as one subcommittee of the Appropriations Committee, be assured that there is no duplication, and that the immense amounts of money we are spending are being spent to the very best advantage under the conditions that we are facing now in the United States?

Dr. JOHNSON. Since I have been in Washington I have had no relations with the Department of Agriculture. It may be that my predecessors have had.

Mr. DEAN. We do have relations with the Department of Agriculture, and Dr. Warren is really the one to talk on that.

Mr. PHILLIPS. I was wondering how Dr. Warren got along with his isotopes without consulting the Department of Agriculture, but we will come to that later.

Following up Mr. Cotton's question, do you know of any case where any department in Washington doing research has voluntarily limited its work in any research line because some other agency is spending so much money in research?

Dr. WARREN. Yes, sir; we have.

Mr. PHILLIPS. That is surprising. Did you limit it because you did not get the money from this committee, or because some other agency was doing it?

Dr. JOHNSON. No, sir. Would you like an example of that?

Mr. PHILLIPS. Yes, I would like an example.

Dr. JOHNSON. We have refused to support research on the carbon–14 technique of determining the age of geological and archaeological specimens, although it uses the byproducts of atomic energy.

Mr. PHILLIPS. I think I concur in that decision. I do not know whether that took very much effort to make it.

Dr. JOHNSON. No; it did not.

FEES

Mr. PHILLIPS. I have one more question in line with Mr. Gore's question, and this is addressed to you, Mr. Dean. I agree with Mr. Gore that I think $140,000 sounds like a good deal of a fee, and I understand you are going to break it down for us and try to show how you justify a fee of $140,000. It is not alone the amount of money in itself; it is the amount of money paid as a fee when the Government apparently pays all of the expenses. That same thing happened in your management fee for the town of Oak Ridge. The fee was an enormous fee, but it was enormous not because of the amount of money in itself; it was enormous because of the fact that in addition to what the Federal Government paid as a fee, it paid every item of expense involved. It was a net-profit fee for the company doing it, the Roane-Anderson Co.

Now, coming back to Ames, here is a college which is doing splendid work. I know Dr. Spedding. I was on a program with him; I introduced him in Chicago. I think Dr. Warren will tell us that not only are they doing metallurgical work, but they are doing a lot of practical work on isotopes; are they not, Dr. Warren?

Dr. WARREN. Yes.

Mr. PHILLIPS. I am not naive enough to think that du Pont, Sandia, and General Electric—I agree with Mr. Boyer that people are entitled to make money, and I am not opposed at all to people earning fees, but I am not naive enough to think they are not getting some knowledge out of handling all of this new stuff which they will be able to apply in their own companies. And do not you think the same thing applies to a lesser degree at Ames? Do you not think Ames is benefiting a little by being known as the outstanding source of work on isotopes, and the students are getting the benefit in their study of metallurgy? You do not think people are staying away from Ames, or people are stopping endowments to Ames, because of this splendid reputation you have built up for Ames?

Have you taken that into consideration in setting up the fee paid to Ames? That is the thing that interests both Mr. Cotton and me.

Mr. DEAN. I really cannot answer, because I do not have the Ames contract before me, and I did not negotiate it and would not negotiate

it. I can answer, I am sure, when we wrap the Ames contract up and get it in the record.

PLANT AND EQUIPMENT

PHYSICAL RESEARCH FACILITIES

Mr. GORE. Now we will go to the construction part of your budget. I have been impressed with the fact that we have a great many research facilities and that maybe we would not have to keep building research facilities, but I notice you are requesting practically $6 million for construction to be obligated during the next fiscal year.

Dr. JOHNSON. We are, sir, and we will continue to ask for additional facilities year after year.

Mr. GORE. And we will never get enough facilities?

Dr. JOHNSON. We will never get enough, sir—not as long as we continue to grow.

Mr. BOYER. May I offer a word here? You asked a little while ago as to what the Commission had cut out of the physical-research budget in the area of construction. This budget is almost $5 million less than the staff came up with. In other words, there were buildings cut out of this budget, so that this budget was reduced by almost $5 million before it was presented to the Bureau of the Budget. And that was by Commission action. That is an example which the boys reminded me of in this connection.

Mr. GORE. Thank you.

REQUEST FOR CHEMISTRY LABORATORY AT BERKELEY

Now, Doctor, I notice you have a request for $600,000 for a chemistry laboratory at Berkeley, Calif. Do you mean we have to keep on building chemistry laboratories; that we will just never get enough chemistry laboratories for research?

Dr. JOHNSON. This, I think, is true in general, and specifically this one is very urgently needed.

Mr. GORE. Do you have a chemistry laboratory now?

Dr. JOHNSON. It hardly deserves the name "chemistry laboratory." It houses excellent scientists and some excellent equipment, but the building is overcrowded; it is inadequate; it is dangerous.

Mr. GORE. What kind of structure is it?

Dr. JOHNSON. It is a temporary wooden structure.

Mr. GORE. How temporary. It is not a bad climate out there; is it?

Dr. JOHNSON. I do not think the climate is a question that affects the need for a new building.

Mr. GORE. Would you demolish the building you now have?

Dr. JOHNSON. Yes, sir.

Mr. SMYTH. This is the building in which Dr. Seaborg does his work. As you know, he has been making the major contributions in this area since about 1938 or 1939. I believe the building he is now working in is one of the buildings that were constructed during the war, up on the hill above Berkeley.

This has two purposes. One is to give as good a man as Dr. Seaborg is and his team, which contains a number of other very good men, really adequate space in which to work. The other is in a sense to replace a temporary building with a more permanent type of laboratory.

Mr. GORE. Well, two thoughts come to mind. One is that in the temporary building a great contribution has been made.

Dr. JOHNSON. Right.

Mr. GORE. So, maybe a better building is not absolutely essential to research. Secondly, at some time, somehow, we have to learn to use some things temporarily and hold expenditures to the bearable point.

Dr. JOHNSON. There is no one who would subscribe to that philosophy more vigorously than Dr. Seaborg.

Mr. PHILLIPS. Why do you not suggest to Dr. Smyth that he sometime visit Edison's laboratory?

Mr. SMYTH. Since Edison's laboratory is only about 20 miles from my home, of course, I have never visited it.

My only answer to that—and I really do not know the answer to that—is that times have certainly changed. It is not possible for individuals today to make great contributions with relatively simple equipment to the extent it was in the time of Edison.

Mr. PHILLIPS. I think maybe Mr. Gore and I sense a feeling there is some direct relation, in the great advances in science—chemistry and physics—between the cost of the laboratory, and the amount of money the Government puts into it, and discovery. I do not think you would want to subscribe to a theory like that; would you?

Dr. SMYTH. No. Yet, I would point out that at Berkeley, where a great deal of money has been spent on the big cyclotron and associated facilities, very serious results have come out—results which could not have been obtained without that equipment.

Mr. GORE. Commissioner, you have said that Dr. Seaborg and his staff working in this building have made great contributions. Dr. Johnson has said the building will be demolished. Now, where is that staff going to be while the building is demolished and another building is erected, which will take quite some months?

Dr. JOHNSON. The new building is on a different site. It is down the hill a little way from the present building.

Dr. MCDANIEL. They are also located not in one building now but in several scattered buildings.

Mr. GORE. Would this $500,000 building replace one or several buildings?

Dr. MCDANIEL. It would replace several.

Dr. JOHNSON. There are at least two and perhaps three.

Dr. MCDANIEL. There are four.

Mr. GORE. Well, you know that down on Constitution Avenue the Navy seems to be still using a building which was a temporary structure built in World War I. So we cannot go on the theory that we are going to replace every temporary building.

Dr. JOHNSON. No, sir. That is not the essence of this problem. The requirement here is that the work has been involved and will be involved with toxic materials and radioactive materials, and they are working in a structure which is impossible to decontaminate. It is necessary in working with these things to have a modern building which is designed for radioactive decontamination.

Mr. GORE. Is that same thing true of the electronics research building?

Dr. JOHNSON. No. The requirements there are somewhat different.

Mr. GORE. Would that also replace a temporary building?

Dr. JOHNSON. Yes, sir. The building that it is to replace has already burned down, and the work is scattered, and we are afraid Dr. Seaborg's building is going to burn down before we get it replaced. It is extremely hazardous.

GENERAL PLANT PROJECT AT OAK RIDGE

Mr. GORE. Let us go now to the general plant project at Oak Ridge, on page 858. I thought you had plenty of buildings at Oak Ridge.

Why could not you, Mr. Boyer, use this large plant that is now, I think, largely in disuse. I forget the name of it.

Mr. BOYER. Y–12.

Mr. GORE. You had all the electrical process there.

Mr. BOYER. That is right.

Mr. GORE. Why could not you use that building for this?

Mr. BOYER. I think they have a breakdown of these items, but they are the types of things which you cannot anticipate in the way of modifications to existing buildings.

You are talking about the $722,000 item?

Mr. GORE. Yes. That is a lot of money—not, maybe, in the terms in which you speak, but three-quarters of a million dollars is a lot of modification.

Mr. BOYER. That is right. There are about 80 projects in there, ranging up from $515.

Mr. GORE. Well, it does not add up very fast.

Mr. BOYER. Here is one to install an air-supply system in another building in order to reduce the hazards and more effectively use the laboratory, and air supply systems must be installed to remove noxious vapors. That is $32,000. There are 80 miscellaneous items that make up that amount that will have to be done during the year. They are small items, and rather than list them as individual items, we have consolidated them.

Mr. GORE. There is no new building in this $722,000?

Dr. JOHNSON. I think not.

OPERATIONS

BIOLOGY AND MEDICINE

Mr. GORE. We will now go to the biology and medicine program.

Dr. Warren, I want to congratulate you on having a budget that is so nearly like the estimates last year. If you had done just a little better job, you would have been on the button for no increase.

Dr. WARREN. Thank you, Mr. Gore. We have worked very hard at this, and if we could have held it down without imparing the program, we would have done so. This is as far down as I think it can be put.

I have a short opening statement that I would like to submit, if I may.

Mr. GORE. Will you read it?

Dr. WARREN. The program of scientific research in biology and medicine falls into diverse fields of interest, as may be expected from the many ways in which the Commission activities bear directly upon the problems of health and safety of the people. The effects of radia-

tion alone are exceedingly complex and may vary from genetic changes involving future generations to the more immediate dangers such as the shortening of life expectancy in individuals and the incitement of cancerous changes in the body. In recognition of the Commission's special concern with these problems, the program of research in biology and medicine has been carefully developed over the past several years. The program contemplated for fiscal year 1953 represents a further refinement and augmentation of the original plan. It endeavors to assure the maximal return in the increase of our fundamental knowledge and in development of adequate measures to minimize specific hazards.

BUDGET ESTIMATE

The total budget estimate of $25,115,000 for fiscal year 1953, covering both operations and construction, represents a decrease of $2,191,400 from fiscal year 1952. Substantial construction savings more than offset slight operating increases. The Argonne Cancer Hospital accounts for $850,000 of the operating increase as it will be getting into full operation in fiscal year 1953. With this exception the program does not involve any increase for expanded research. The chief factors leading to the very slightly augmented operating budget are those of staff recruitment at the many sites to the previously planned levels and the increments experienced throughout the program as a result of rising costs.

Whereas the dollar requirements for the biology and medicine program are not greatly increased over the level of previous years, the responsibilities of the Commission in the field of biology and medicine have increased substantially. In addition to the growing complexity of the hazards to health arising from the expansion and diversification of the production and weapons program, the Commission's requirements for general medical services have increased in several respects. With the opening of the continental test site, increased participation in weapons tests on the part of the medical staff has become essential in order to insure that experiments may be continued without danger to any region of the country. While the tests are primarily part of the weapons-development program, they offer, nevertheless, unique opportunities for realistic biomedical experiments of importance to the national defense. Although no specific funds are earmarked in this budget for biomedical experiments as such, the additional responsibility for this program has imposed a noticeable burden on the time of the staff and will undoubtedly require and merit more specific financial assistance in the future.

COORDINATING REQUIREMENTS OF GOVERNMENTAL AGENCIES

The Division is also engaged in coordinating the requirements of various governmental agencies for data from field tests of atomic weapons. By relating the weapons tests program to the research activities in biology and medicine, it should be possible, with time, to obtain firm answers to the important questions raised by such agencies as the Public Health Service, Department of Agriculture, Public Buildings Service, Federal Civil Defense Administration, and others.

PROTECTION FROM RADIATION

With progress in mobile reactors approaching the operational phase, the chronic irradiation of the crews becomes the critical factor lest the absorption of radiation lead to human failure and the loss of the entire equipment. Our research on the nature and treatment of the radiation syndrome and our studies of the effect of radiation on physical and mental endurance are directly applicable to these problems. At present, modification in the content of the program rather than increased costs will serve to meet these needs.

RADIOLOGICAL WARFARE

Related problems arise in the study of radiological warfare. This study involves both external and internal radiation hazards according to the agent used and its mode of dissemination. The indirect effects on man through the water supplies, crops, farm animals, etc., as well as the direct effects of external radiation must be clearly understood. Problems of instrumentation, of radiation hazard, and of decontamination must also be considered. All these have ultimate significance in terms of their effects on man.

The recognition of the many pressing current problems has not been allowed to detract from the substance of the planned long-term research program. It is upon the long-range values and fundamental scientific knowledge that our continued progress in the field of biology and medicine will largely depend.

RADIATION MEASUREMENT

Mr. GORE. In speaking of radiation, will you indicate to the committee how radiation is measured after the detonation on this continent?

Dr. WARREN. Perhaps I could show you actually such a measurement and explain how it was obtained. Here is a series of maps of the United States. I will select one of these as an illustartion of how this procedure was carried out. I should like to be able to go off the record as to the details involved in this.

(Discussion off the record.)

Mr. GORE. Although interesting and very vital, and this is one of the things that have given a lot of people concern about tests in the United States, nevertheless it does not represent a substantial part of your budget.

Dr. WARREN. No. It represents a substantial part of our staff's activities and our staff's worries, because we have the safety of a great many people at stake here.

Mr. GORE. Would this indicate that a long series of tests following one day after another might become dangerous?

Dr. WARREN. A study has been made of that.

(Discussion off the record.)

DEFENSIVE ACTION AGAINST RADIOLOGICAL WARFARE

Mr. GORE. Have you given any study to the possible effects and also the possibility of defensive action against radiological warfare by an enemy directed at one of our cities or ports and production facilities?

Dr. WARREN. I have, sir, and it would be easier to tell you of that if I went off the record.

(Discussion off the record.)

Mr. GORE. Dr. Warren, now that you have enlightened us on scientific matters, let us get down to the nuts and bolts of the budget under your supervision.

Dr. WARREN. Excuse me for one moment. I have a brief statement that can be published in the record in reply to the question on radiological warfare, if I may turn that over to the reporter. This has been prepared by Colonel Fields as to the military application, and I have added to it.

Mr. GORE. That may be inserted in the record at this point.

(The matter above referred to is as follows:)

RADIOLOGICAL WARFARE

The Atomic Energy Commission, in collaboration with the Department of Defense, is continuing its programs in the field of radiological warfare. The military worth of a radiological warfare munition depends on its capability to deny occupancy of areas for periods of time. Depending on the situation and the military operations at the time, such denial could contribute to attainment of the desired objective.

There are many related considerations which arise in the field of radiological warfare. These include such aspects as radiological warfare agents, methods of dissemination, internal and external radiation effects, detection, evaluation, avoidance, and possible decontamination. All of these projects are currently included in the program.

Many aspects of the metabolic uptake of fission products and related substances as studied in plants and animals are directly related to problems of radiological warfare. What foods are unsafe to eat? How can contaminated foods be made safe? These and similar questions require study of the many potential substances that might be used against us. Such investigations are being actively pursued in the research program of biology and medicine.

DECREASING BUDGET REQUEST

Mr. GORE. Now that you have done such a nice job in holding your budget within such a small increase, I am just wondering if we could not do a better job and reduce it below last year.

Dr. WARREN. I certainly hope you won't, because I would be in a rough spot.

Mr. GORE. Why?

Dr. WARREN. Because we have tried to squeeze the program to where we are carrying on the essential needs and where we can concentrate on the prime objectives that we have ahead.

BIOLOGY AND MEDICINE PROGRAM ACCOMPLISHMENTS

Mr. GORE. Doctor, tell us what significant discovery or what significant cure or approach to a cure has been made under your supervision in the last year that, in your opinion, has been worth the expenditure of $23 million.

Dr. WARREN. I think one of the most important things is that we have not had a single death occur from radiation accident despite the tremendous amounts of radiation that are used both in the field tests and in the plants. I think that in itself is perhaps our most important accomplishment.

Mr. GORE. Have you had anyone seriously sick from radiation?

Dr. WARREN. No; we have not had anyone seriously sick from radiation, either.

Mr. GORE. Would you has had sickness or death without the work of your branch, do you think?

Dr. WARREN. I am afraid we would have if this work had not been going on.

Mr. GORE. What else?

Dr. WARREN. From the standpoint of the research program, we have been able to get a more sensitive type of counter with special probes so that we can take care of contaminated wounds. One of the problems has been to track radioactive contamination in wounds. We have been able to make what I think will be a firm answer to that.

Because of the availibility of radioactive carbon, on the long-range research side there has been a tremendous advance made in photosynthesis, not only in our programs but in other programs, in recent times, and this last year it was demonstrated that the first organic product in the photosynthetic chain is phosphoglyceric acid. This should open up a tremendous and important field.

We have used neutron radiations primarily from the reactor for the first time in the treatment of human cancer, and in the instances in which it has been used it looks as though a helpful method has been worked out.

We have been able to learn a great deal about the specific uptake of the different fission products and other radioactive compounds in plants, as regards their uptake in the edible portion of the plants and the nonedible portions of the plants.

I mentioned a while back—I believe 2 years ago—experiments with the radiation of seed peanuts in the pile at Oak Ridge. We have gotten some new varieties from that that are resistant to some of the diseases that have been troublesome, and we hope to have enough seeds in this next growing season to show the significance of that.

In the field of protection against the radiation syndrome, the discovery that an emulsion of bone marrow will protect the experimental animal against radiation has been of very real significance.

Mr. GORE. Bone marrow?

Dr. WARREN. Yes.

Mr. GORE. How would you use bone marrow to protect an animal or someone from radiation?

Dr. WARREN. The material in itself is not so important as the fact that one gets protection. That is, the bone marrow itself is not so important as the fact that you can get protection by the substance that is formed there. This is an injection from which we ought to be able to get a specific chemical substance that can be used here. This is the same sort of scientific lead as was the failure of bacteria to grow on mold-contaminated plates, when the initial discovery of penicillin was being foreshadowed. It is very early in the process, but this is the first time a specific substance has been found which will work against radiation.

CANCER RESEARCH HOSPITAL AT OAK RIDGE

Mr. GORE. Tell us about the cancer research hospital at Oak Ridge.

Dr. WARREN. The cancer research hospital at Oak Ridge is a portion of the main hospital there. It has in its operation the advan-

tages of the special hospital facilities of Oak Ridge itself. We have there now 28 man-years of scientific people and 29 are projected, one more, for the next year. We have there available beds for 30 patients. We are also working there on this new 1,000-curie radio cobalt source that will be the first such unit. The unit itself has been entirely manufactured and is at the hospital ready to be loaded when the cobalt is obtained from the Chalk River pile in Canada.

Mr. GORE. Has any significant progress been made toward a specific treatment of cancer?

Dr. WARREN. Not in general terms, and I doubt that there ever will, because there are many sorts or kinds of cancer, and each one has to be attacked by itself. I doubt very much that we will ever find a single specific for cancer.

Mr. GORE. Have you found a specific for a specific type?

Dr. WARREN. Yes. I have spoken of one at other times. I have spoken of radioactive iodine, which is one of the forms.

Mr. GORE. You told us about that last year.

Dr. WARREN. Yes.

Mr. GORE. Have you found any additional specifics for specific types during the past year?

Dr. WARREN. We have learned more about the use of radio-active gallium. That is already in the works at Oak Ridge. We are not ready to say how good it is. That is used in connection with some of the bone cancers.

CONSTRUCTION BUDGET FOR BIOLOGY AND MEDICINE

Mr. GORE. Your construction budget is the smallest it has been since you have been with the Commission.

Dr. WARREN. That is correct, sir.

Mr. GORE. You are not asking for the initiation of any new construction?

Dr. WARREN. Not so far as this program is concerned. The specific items are listed on pages 871 through 874.

Mr. GORE. Most all of that, however, is general plant projects?

Dr. WARREN. Yes. We have no specific new projects.

Mr. GORE. Your budget by and large is a continuation of the program as it is presently operated?

Dr. WARREN. That is correct, sir.

REVAMPED PROJECTS ON AGRICULTURE AND HEALTH

Mr. PHILLIPS. Dr. Warren, to what extent has it been necessary for you to postpone or to reduce the experimental program on agriculture or on health not directly connected with the use of radioactive materials in war because of the present war situation?

Dr. WARREN. As I said in my opening statement, we have revamped our projects to some extent. For example, in agriculture some of the work that was going on primarily in the fertilizer field we have been able to swing over into this question of the uptake of radioactive materials in plants that have an important bearing so far as radiological warfare problems, fission product problems, and others are concerned. We have reorientated.

COMMUNITY OPERATIONS

Mr. GORE. We will now go to community operations.
Mr. Towne, would you like to make a preliminary statement?
Mr. TOWNE. I have a very short statement, Mr. Chairman.

OPERATING COSTS OF COMMUNITY OPERATIONS

On page 451 of volume 2 of the budget you will find a table which summarizes the Commission's community operating costs. Reading from the bottom up, you will note that the total net cost of all community operations will drop from $4,037,086 in fiscal year 1951 to an estimated $2,800,000 in fiscal year 1953.

With the exception of the Colorado operation, which is too small to reflect significant cost trends, each individual community operation shows a significant reduction in net cost or increase in operating surplus between fiscal year 1951 and fiscal year 1953.

REVENUES

The principal reason for reductions in net cost can be found by examining the table of revenues, just above the table of net costs. While an increase is shown for each community, the reasons for increases differ. At Colorado and Los Alamos the increases result from increases in dwelling rents to levels comparable with those prevailing in nearby communities. At Los Alamos the number of dwellings also increased. At Richland and Sandia revenues increase because more dwellings have been built. At Oak Ridge revenue increases are due to replacement of temporary houses with permanent units commanding higher rents.

At Richland and Oak Ridge the AEC had planned to increase rents to levels comparable with those prevailing in nearby communities in August 1951 but was unable to do so because Federal rent control was extended. At Los Alamos the planned increase went into effect on January 1, 1952, because Federal rent control does not apply in that community.

GROSS COSTS

The top table on page 451 gives the gross cost of each AEC community operation. Here again the Colorado operation is too small to reflect a significant cost trend. The reasons for increases or decreases in gross costs vary with each community and are explained in more detail on ensuing pages of the budget. In brief summary, they are as follows:

At Richland the population is expected to increase from 22,000 in fiscal year 1951 to 24,500 in fiscal year 1953 and 300 additional houses now being completed plus an additional 300 authorized in fiscal year 1952 will become part of the total housing supply. This accounts for some added gross costs. In addition, there will be an increase in the civil-defense program. At Oak Ridge, average daily attendance at schools is estimated to increase from 6,055 in fiscal year 1951 to 6,679 in fiscal year 1952 and 6,717 in fiscal year 1953, which accounts for substantial increases in estimates for school-operations costs.

I might point out that the increase in pupil population is due to the entry into the school system of youngsters who are just coming of school age, and the school population increase is not matched by a total population increase.

Housing maintenance costs are also estimated to increase due to increases in the amount of housing in active use from a total in fiscal year 1951 of 8,631 units to a total in fiscal year 1952 of 9,050 units. This amount is estimated to decrease in fiscal year 1953 to 8,800 and gross costs are correspondingly reduced in the budget estimates.

At Los Alamos the population is expected to increase from 12,000 in fiscal year 1951 to 13,360 in fiscal year 1952 and to approximately 14,000 in fiscal year 1953. In addition, the total amount of housing is estimated to increase from 3,386 in fiscal year 1951 to 3,778 in fiscal year 1952 and to 3,859 in fiscal year 1953. Increased costs for additional population and housing are reflected in the gross cost estimates. Gross costs for schools are somewhat reduced in fiscal year 1952 over 1951 due to the State of New Mexico assuming a portion of the cost for operating the schools in Los Alamos.

The increase in gross costs at Sandia results from an increase in the number of houses from 387 in fiscal year 1951 to 405 in fiscal year 1952.

That completes my brief résumé.

OPERATION OF OAK RIDGE COMMUNITY AFFAIRS

Mr. GORE. Roane-Anderson is no longer your community operator at Oak Ridge?

Mr. TOWNE. That is correct.

Mr. GORE. You are contracting with a new corporation?

Mr. TOWNE. There is a new corporation known as the Management Services, Inc.

Mr. GORE. Are the incorporators similar to the incorporators of Roane-Anderson?

Mr. TOWNE. There were four Roane-Anderson officials who elected to form a corporation under the laws of Tennessee and offered to take over the Roane-Anderson function at the time Roane-Anderson gave notice of its desire to terminate.

Mr. GORE. Are those four the sole owners of the new corporation?

Mr. TOWNE. I would like to refer that question to Mr. Sapirie, because he negotiated this contract.

Mr. SAPIRIE. No, sir. There are four former employeees of the Roane-Anderson Co. and three employees of Carbide who are residents of the town, and they are the stock owners in the new corporation. It is a corporation that has a no-profit contract with the Commission.

Mr. GORE. Has a no-profit contract?

Mr. SAPIRIE. That is right—a no-fee contract.

Mr. GORE. All of those owners are employed by the corporation?

Mr. SAPIRIE. The four that are holding active positions with the corporation, full-time positions, are on the payroll of the corporation and reimbursed by AEC. The three who are not full-time employees of the corporation are not on the payroll of the corporation. They are, however, employees of Carbide during the day.

Mr. GORE. Do you think it is a better set-up than you had under Roane-Anderson?

Mr. SAPIRIE. I think we have accomplished the purpose of eliminating the fee. And I think we have accomplished a new purpose—the instilling of a community interest in the operation of the community to a much greater extent than was possible under the old arrangement.

Mr. THOMAS. What was that last statement?

Mr. SAPIRIE. We have been able to get into the operation of our community affairs more of the local interest of the population. I think we are moving in the direction of a normal community, and we now have the residents of the community taking an active interest in the management of the community functions.

Mr. GORE. Do you know at what salaries these four are employed by the corporation?

Mr. SAPIRIE. Yes. The project manager is employed at a salary of $14,000 a year; the deputy project manager is employed at a salary of $13,000 a year; the No. 3 man, who is the man in charge of supply management and property, is employed at a salary of $11,000; the No. 4 man, who is their controller in charge of fiscal affairs, is employed at a salary of $10,350 a year.

Mr. GORE. All of which is reimbursable?

Mr. SAPIRIE. All of which is reimbursable.

Mr. GORE. That is still pretty nice but much better than the arrangement, it appears to me, that we had with Roane-Anderson, where we were still paying their salaries and paying them a big fee or bonus on top of it.

Mr. SAPIRIE. That is right. It might be of interest to know that these salaries are essentially the same as the salaries that were paid to the top four employees of Roane-Anderson.

Mr. GORE. So, it really did not blow up the atom-bomb plant for Roane-Anderson to leave.

Mr. SAPIRIE. Roane-Anderson took with them 10 of their key employees. They took the No. 1 and left the No. 2 man; they took the No. 3 man, and the No. 4 man was left.

Our operations, I feel, are now in good hands and are being very efficiently managed by the new group.

DEVELOPMENT OF COMMUNITY FACILITIES

Mr. GORE. When you were here last, there was some discussion about the development of community facilities, and I raised some questions as to the desirability of having one developer, or whether you should open it up to bids and have several developers. The over-all question is that nothing has been done down there and the community does not seem to have very good shopping facilities in some categories of merchandise.

Mr. SAPIRIE. I agree with you, sir.

Mr. GORE. What can be done about that?

Mr. SAPIRIE. The major obstacle at the present time is getting materials released for use in constructing facilities.

The negotiations carried on with a group of local businessmen for the undertaking of the construction of a new business district proceeded to a point where it looked like we were to get a very favorable deal, provided the necessary critical materials could be released for construction of the facilities.

So far, that group has not been able to get the release of copper, steel, and other materials they need for the construction.

Mr. GORE. Further development under your plan would not entail an additional outlay in the way of appropriations?

Mr. SAPIRIE. Not if we handle it on the basis proposed. If we handle it by allowing individual groups to build individual buildings we would then have to invest an additional amount, approximately $1 million, for the construction of streets, sidewalks, parking areas, and miscellaneous utilities.

Mr. GORE. You are waiting now on the priority of materials, is that right?

Mr. TOWNE. There is another limitation, also, which this same development group faces. In order for them to proceed they felt that they would have to get some relief from the restrictions on credit which apply to new commercial construction now. They made application to the Federal Reserve Board and were turned down. Under the present regulations, as I recall them, some 50 percent equity is required by the investor in a commercial facility.

Mr. GORE. Does the Commission feel that it is important that community facilities be constructed?

Mr. TOWNE. The Commission's position on both of these points, the NPA limitations on materials, and the Federal Reserve Board limitation on credit was that it could indicate and did indicate that it regarded these expansions of commercial facilities as highly desirable in Oak Ridge, but it could not indicate that they were essential to the continuation of its production program in the plant, and without a letter of certification neither NPA nor the Federal Reserve Board were willing to grant the necessary relief.

Mr. GORE. They have to have certification that it is necessary?

Mr. TOWNE. That is right; they have to have a specific certification that it is necessary to the national defense. We did not feel that we could certify to that extent.

Mr. GORE. Well, I wish to congratulate you on reducing the net cost of all of these communities, save two, I believe, Colorado and Sandia.

COLORADO COMMUNITY OPERATIONS

Mr. TOWNE. Well, the Colorado operation involves the management of 144 dwelling units, and about 100 trailer coaches, mobile units which are used by geological parties in survey work.

SANDIA COMMUNITY OPERATIONS

Mr. GORE. Tell us what Sandia is up against.

Mr. TOWNE. I mentioned that to you in my summary.

Mr. GORE. Yes, you did that, but we want a little more than that.

Mr. TOWNE. I will have to refer the specific question to Mr. Di Luzio, who is familiar with the operations at Sandia.

Mr. DI LUZIO. The Sandia gross cost is primarily up because of the increase in the number of units in housing, which went to 405 in 1952.

The Department of Defense charges the Atomic Energy Commission for some of the service that they perform for us, such as waste removal, utility services, maintaining of the roads, and that sort of thing. They bill the Commission for that, and the Commission reimburses them for that expense.

Mr. TOWNE. The net revenues from Sandia increased. You are speaking of the gross costs, I assume, but the net revenues increased from $109,000 to $146,000. That is a net figure on the bottom table.

Mr. GORE. I was speaking of the net, yes.

Mr. TOWNE. That has increased in revenue. Where the parenthesis is used that means we have the net revenue figure.

Mr. GORE. I was misreading that.

Mr. TOWNE. Yes, it is rather confusing.

Mr. GORE. There has been some improvement, then, Mr. Boyer, in community operations?

Mr. BOYER. Yes, we think so.

Mr. GORE. Well, fine.

PLANT AND EQUIPMENT

COMMUNITY CONSTRUCTION PROGRAM AT OAK RIDGE

Mr. GORE. We have not covered construction yet. That is something we ought to be able to operate on right away. What do you have to build now down at Oak Ridge?

REHABILITATION OF 250 TEMPORARY DWELLING UNITS

Mr. TOWNE. The principal item under the construction request at Oak Ridge is the rehabilitation of 250 flat tops.

Mr. GORE. I thought you were moving most of the people out of those?

Mr. TOWNE. We have moved a good many out, and we are holding some in reserve either for sale or for absorbing population expansion in the event construction expands at Oak Ridge, or for possible transfer to other areas.

Mr. GORE. And you plan to spend $3 million in rehabilitating those flat tops?

Mr. TOWNE. $1,500,000.

Mr. GORE. What is the remainder?

Mr. TOWNE. The remainder of that is itemized on the following pages. On page 892 of the justifications you will find the rehabilitation of 250 temporary type dwelling units, $1,500,200. That averages out $6,000 per dwelling unit, and for that we are getting units that we can carry for about 20 years.

Mr. GORE. What do you expect these 250 temporary type dwelling units to be worth after you have spent $1,500,000 on them?

Mr. TOWNE. Well, it will cost us an average of $6,000 to rehabilitate them. To replace them it would cost us, of course, substantially more at current building costs. How much more I would not know without getting some specific cost estimates on new designs.

Mr. GORE. You mean that you want to spend $6,000 each on merely repairing those flat tops?

Mr. TOWNE. It is more than a repair job, Mr. Gore. If they are not rehabilitated the maintenance expense on them will become extremely excessive, and within a very few years we fear that they will no longer be capable of being maintained in a livable condition.

Mr. GORE. I do not think that they are worth $6,000 brand new, let alone rehabilitated.

Mr. TOWNE. Our experience with regard to getting competitive bids on new construction of houses in Oak Ridge recently has been

to the effect that we cannot duplicate the number of square feet of floor space that there is in these flat tops in new construction for anything like this small a sum, and after these are rehabilitated they will be as good as newly built permanent building units of the same size.

Mr. GORE. How many of these are being replaced by the permanent type of building that you are building there?

Mr. TOWNE. You are familiar with the fact that over a period of years we have been trying to build up our permanent housing supply at Oak Ridge, and during that period we have been using part of the temporary houses to take care of the permanent employees.

Mr. GORE. I think I will come down there, Mr. Sapirie, this week end.

Mr. SAPIRIE. We would like to have you come down, sir.

Mr. GORE. I know nothing about the operation of a cyclotron, but I can look at a flat top and form some opinion as to whether we ought to spend $6,000 on it. My opinion might not be good, but I might have an opinion.

BIDS ON THREE- AND FOUR-BEDROOM HOUSES

Mr. SAPIRIE. We took bids on 52 houses last summer, and most of the bids were almost 80 percent over the engineers' estimate. We had good circularization on the units, and the bids averaged between $20,000 and $22,000 for each living unit.

Mr. GORE. How much?

Mr. SAPIRIE. Between $20 and $22 thousand.

Mr. GORE. For those flat tops?

Mr. SAPIRIE. No, not for the flat tops, for the 50 new houses we had plans for.

Mr. GORE. How many bedrooms?

Mr. SAPIRIE. They were three and four bedrooms, but quite small rooms.

Mr. TOWNE. They were better houses than the flat tops.

Mr. GORE. Radiation is having no bad effect down there with three or four bedrooms in the houses.

Mr. SAPIRIE. We have a need for the three- and four-bedroom houses. We did not award a contract on those bids.

NUMBER OF DWELLING UNITS

Mr. TOWNE. The total number of dwelling units we will have at the end of 1952 after completing our authorized program that we deem to be permanent units will be 7,538.

The addition of the 250 rehabilitated flat tops added to our permanent supply will bring our total of permanent units up to 7,788.

Now, projected upon our present estimates the average of the total number of units which will be occupied in the fiscal year 1952 will be 8,800, and for 1953 8,820, so that we actually are using more units than we have programed in the permanent category which means we will still be occupying a substantial number of temporary units.

Mr. GORE. Can these flat tops be demounted?

Mr. TOWNE. Yes.

Mr. GORE. Are they what you call demountable?

Mr. TOWNE. They are demountable houses.

Mr. GORE. You have sold several of them.

Mr. TOWNE. Yes, we have sold a good many.

Mr. GORE. What did you receive for those which you sold?

Mr. TOWNE. I do not have the record on that here.

There were two periods during which the flat tops at Oak Ridge were offered for sale. In the first period when it was publicly understood that we were going to dispose of a very large number, as I recall, the average price which was obtained for the two-bedroom flat top, which is a small house, about 24 feet square, with a 3- by 12-foot bay on one end of it, was running about $875; is that right, Mr. Sapirie?

Mr. SAPIRIE. I have the specific figures.

We have sold a total of 1,079 housing units by competitive bid for a total of $880,856, or an average of $816 apiece, and in addition to that we have sold 228 houses to the contractor which is to provide temporary housing for some of the employees at Paducah, and those were sold at an average of $464 each for a specific purpose.

Mr. GORE. Why did you sell those for approximately half?

Mr. SAPIRIE. Those were sold at a reduced price in order to provide housing at Paducah without having to build it ourselves.

Mr. TOWNE. He was required to locate them at Paducah. That was a feature of the sales contract.

Mr. GORE. The purchaser was?

Mr. SAPIRIE. That is right. We were able to keep ourselves out of the housing business by making these units available at a somewhat reduced price. The houses are now being rented to the construction contractor supervisor at limited rentals within reason, and upon the specific assignment they were to be rented to assist in the job.

Mr. TOWNE. I believe we control the occupancy of them for 3 years under that contract.

Mr. SAPIRIE. Yes; that is right.

Mr. GORE. Mr. Sapirie, how do these which you desire to rehabilitate compare in quality and value with those which you sold?

Mr. SAPIRIE. We have endeavored to sell the poorer houses. Most of them that we have sold have been at the point where we could not economically maintain them, or else they were so located as to increase the cost of the operation of the town.

Mr. GORE. I am going to get you to show me some of these specifically that you want to rehabilitate.

Mr. SAPIRIE. I will be very glad to do so, sir.

CONSTRUCTION OF NEW RAW WATER STORAGE TANKS AT FILTRATION PLANT

Mr. GORE. What other construction item do you have at Oak Ridge, a storage tank?

Mr. TOWNE. That is shown beginning on page 892, and the detail is shown on page 893. That is for new raw water storage tanks at the filtration plant.

Perhaps Mr. Sapirie can give you the detail on that.

Mr. SAPIRIE. A new tank is required to replace the temporary second-hand tank that was put in there at the start of the war, and that is now on the verge of failing. We must replace it with a suitable tank in order to protect the water supply for the city of Oak Ridge, for the Y–12 plant, and the Oak Ridge National Laboratory.

MISCELLANEOUS IMPROVEMENTS REQUIRED BY THE OAK RIDGE SCHOOL SYSTEM

Mr. GORE. Mr. Towne, what other items do you have?

Mr. TOWNE. There are some additional items of a miscellaneous character. On page 894 it shows a project for some improvements to the schools in Oak Ridge. I believe the principal item is the expansion of the cafeteria at the old high school, which was formerly the Senior high school.

Mr. GORE. That is minor. You have no other new construction there?

Mr. TOWNE. No. The rest of it is the usual run of miscellaneous-capital items and that for various reasons cannot be accounted for as maintenance costs, but due to our accounting system have to be capitalized.

Mr. PHILLIPS. I am not sure that we would call $73,000 for just a black-top job a minor item.

Mr. TOWNE. No; it is not, but it is more than a black-top job, Mr. Phillips. If you will read the items there, item A is black topping of service entrances, and item B is the application of drop siding to replace some temporary asphalt-surface siding on schools which were built during the war. Item C is the renovation of a heating system at the Scarboro School, which system was originally put in in the early days when the emergency war construction was put in, and item D is the expansion of the existing cafeteria at the school, which is to be converted from a senior high school to a junior high school.

Mr. PHILLIPS. The item of $73,000 covers all of it?

Mr. TOWNE. Yes, sir; that is right.

COMMUNITY PLANT AND EQUIPMENT PROGRAM AT LOS ALAMOS

Mr. GORE. Now, what are you building at Los Alamos?

Mr. DI LUZIO. We have six specific items beginning on page 904.

EROSION CONTROL

We start off with an erosion-control program, which is the construction of check dams, covered drainage channels, and seeding to prevent erosion and building retaining walls.

Mr. GORE. What do you seed out there?

Mr. DI LUZIO. In some places we do have topsoil. It is rather shallow, and we have to seed it in order to retain the surface soils. In some places you find a nice-looking house with tufa in the yard instead of grass. We do seed the soil and cuts to stop it eroding out into the streets and over the sidewalks.

There is some excavation for channelizing water through areas between housing developments. We do have some topsoil, and we will place topsoil in and around the structures. This includes the seeding of some of the permanent structures and the intermediate school which is under construction now.

RESIDENTIAL STORAGE FACILITIES

The second item on page 905 is "Residential storage facilities."

Mr. GORE. What do you mean by residential storage facilities?

Mr. DI LUZIO. We have built some permanent housing at Los Alamos without providing adequate storage facilities for the ordinary needs a person moves into a house with, like trunks, lawn mowers, and things of that nature. They have absolutely no place in which to store these things, and generally they are piled up outside the back door.

Mr. GORE. That is just too bad; you might find one outside of my back door.

Mr. DI LUZIO. In the estimates we have made for this minimum-storage space, this will provide minimum storage for 1,041 units.

Mr. PHILLIPS. Is this Commission storage or individual storage?

Mr. DI LUZIO. This is individual storage in single houses, duplexes, and some apartments that have four units in them.

This estimate was included to meet the minimum FHA standards for storage space and the difference between rents in one house and another in the geographic area.

I cannot state that this represents $2 or $3 on the rent, but we do know that the rent increase included providing a bare minimum of storage requirements.

Mr. GORE. That does not amount to $1,600,000.

Mr. DI LUZIO. This is on page 905, and amounts to $295,000.

SCHOOL PROGRAM

The other item is $236,000 to build an addition to the intermediate school, a building of approximately 13,000 square feet to serve as a gymnasium, auditorium, and dining area with kitchen and cafeteria serving space and limited dressing rooms and showers.

Mr. GORE. You do not have a gymnasium now?

Mr. DI LUZIO. The only one we have, sir, is in the high school. We have not one in any other school nearby.

Mr. GORE. Why would you need one other than in the high school?

Mr. DI LUZIO. The location of this particular school is rather remote from the gymnasium which is located in the high school, and it would require private transportation for those in the intermediate-school population to go to one of the other gymnasiums. It is not within walking distance.

Mr. GORE. It is not within walking distance from the school?

Mr. DI LUZIO. From the schools which contain a gymnasium, not within walking distance of the intermediate school, which means that there are certain activities, calisthenics, and so forth, must be conducted outside.

Mr. GORE. Why would your intermediate school need a gymnasium? You do not have much rain out there, and they are not large enough to play on basketball teams.

Mr. DI LUZIO. The construction of the intermediate school is one which makes it a very flexible structure. It can be used for the lower grades, and as the population of the school grows older they will go

to high school, moving out of the junior high school classes, which means we have to provide a facility which has more than one feature to it, to take both the elementary load at this time and the junior high school load at some time in the future.

ROADS, UTILITIES, AND MINOR TOWN PROJECTS

Mr. GORE. Explain to us the town projects, which amount to $750,000 on page 906.

Mr. DI LUZIO. This project consists of minor construction and building alterations, additions and alterations to utility systems, the roads and streets program, communications construction, fire protection improvements, town site improvements capitalized by maintenance contractor and fees.

FEES

Mr. GORE. What do you mean by fees now?

Mr. DI LUZIO. These fees are the engineering fees to be paid to an architect engineering firm to study these problems and draw up the plans and specifications.

Mr. GORE. How much does that amount to?.

Mr. DI LUZIO. Something on the order of $140,000.

Mr. GORE. That is fine. We will cut that out. Thank you very much.

COMMERCIAL SHOPPING FACILITIES

Mr. COTTON. Referring to those facilities which you spoke about a short time ago, commercial shopping facilities. In these communities that you are maintaining you have independent stores and businessmen and commercial places operating?

Mr. TOWNE. Yes. There are two kinds of arrangements, sir. When the towns were originally built a number of commercial shopping facilities in the way of buildings were built with the appropriated funds. Most of these were built by the Manhattan Engineering District before AEC took over the towns. The commercial space which we took over is being rented to private merchants, usually under percentage of gross leasing contracts whereby they pay a percentage of their gross receipts for the privilege of occupying that space.

Mr. COTTON. Yes.

Mr. TOWNE. More recently the Commission has adopted a policy and a plan for leasing land, commercial land, to private investors who have come in and have built commercial structures with their own money.

Here, again, they pay either a flat rent or a percentage of their gross receipts for the use of the land. They also pay for the utility services which are provided by the Commission.

Mr. COTTON. Are you familiar with the method that is used in the Canal Zone, the Panama Canal Zone?

Mr. TOWNE. No, sir.

Mr. COTTON. Do you operate any kind of a commissary or other stores for profit yourself?

Mr. TOWNE. No. In our communities we do not now operate any commercial facilities ourselves. All of that is arranged for in the way that I have described to you.

Mr. COTTON. In other words, your policy is to turn these communities over to business enterprise, free enterprise, as rapidly as possible?

Mr. TOWNE. To the maximum feasible extent we want to establish free competition among private merchants in these towns.

For example, in the early days prices were controlled in the communities. This was before there was any general price-control law. Today there is nothing in any AEC contract with a commercial operator at Oak Ridge or Hanford which controls the prices he charges.

Mr. COTTON. I have no doubt that is the correct policy. I assume that you have examined the situation very thoroughly as a matter of policy in such of your installations as are rather isolated where you have the problem of inadequate shopping facilities. I learned on a recent trip to the Canal Zone, somewhat to my surprise, and I do not want to become a Socialist, that they operate for profit in the Canal Zone, that the Panama Canal Company sells everything that is used and comes out at the end of the year with a profit. Of course, they are isolated down there. I assume you have considered all of that and that that is the wrong direction to travel.

Mr. TOWNE. It is not necessary in our situation.

Mr. COTTON. Thank you.

ESTIMATES ON COST OF SAVANNAH RIVER PROJECT

Mr. GORE. Mr. Dean, I have one more question, and then I will conclude my part of the interrogation. First, I want to inquire about the Savannah River project, and then go to program direction and administration.

I think the committee is entitled to some explanation from you, as Chairman of the Commission, as to why you so successfully missed the estimates on the cost of the Savannah River project.

Mr. DEAN. Well, there is a lot of history to it.

I think the first time I appeared before this committee we estimated at that time that the Savannah River project cost on the order of $600 million. I believe that was the figure we used.

Now, that was in September of 1950.

May I go off the record for just a second here?

Mr. GORE. Yes.

(Discussion off the record.)

Mr. DEAN. In November of that same year I came back, or in December, I forget which. You asked me, I believe, what did it look like then, as to the amount of money required, and I said that our best guess at that time was $900 million.

That is the way I think the record stands at this point. It will be much more costly than that, there is no question about it.

The design, as I indicated to you in my opening statement is only 40 percent complete. Nothing ever built anywhere is comparable to these facilities.

(Discussion off the record.)

Mr. DEAN. These are of a completely different design, and I am confident that we have a good contractor, that he is on top of the job. We have had people go down there—impartial people—go down there.

There was a group sent down by Senator Maybank's Committee on Federal Expenditures, and a report was made by someone, and we had no voice whatever in his selection, but it was a man it turned out who had spent his life in construction, Admiral Cotter, who made a report on the performance of the du Pont Co. at that site, particularly as to waste, as to their schedule, and as to the competence of the people who were there, and he came back with a report which indicated that the job was being well done.

We have Mr. Nelson here who runs the project down there, and he might be able to give you some fill in as to where this money is going.

Mr. GORE. Before we go to him, you make a point of the fact that your site had not been selected. Has the cost of construction on this particular site been more than you reasonably could have anticipated on any site with the minimum requirements having been met?

Mr. DEAN. It is more than I thought it would be.

Mr. GORE. Because of the site?

Mr. DEAN. I think you can attribute a certain number of dollars to that. We can figure that very easily.

Mr. GORE. In other words, there is no wide variation in the cost because of the selection of the site?

Mr. DEAN. No. We were thinking back in September 1950 in terms of something like $25 an acre for the land when we came up to see you folks on the first estimate. We were thinking at that time in terms of $25 an acre for that location.

Mr. GORE. You remember that it was suggested to you here then that you would not be able to get the site for any such price as that.

Mr. DEAN. I do not recall that, but it certainly turned out to be true. If we had gone into a desert area we could have gotten it cheaper.

Mr. GORE. Which you could not go into and meet the other requirements of your site location.

Mr. DEAN. We had one that looked like a very attractive region in Texas. The water would not do for this sort of facilities, and it would have involved the expenditure of several hundred million dollars more to process the water to take the minerals out of it. I think the most vital criterion in selecting a site in this case was the water.

Mr. GORE. What has been the single largest obstacle in making an accurate estimate?

Mr. DEAN. I would say the lack of experience anywhere in the Commission in making an estimate as to a pile of this design. There had been no background at all.

Mr. GORE. Off the record.

(Discussion off the record.)

Mr. GORE. So far as the site preparation is concerned, if you located in a reasonably level area the difference would not be over 5 percent as between most any area you might select.

Mr. DEAN. That is probably a fair statement, if you do not make allowance for the fact that our pumping is much more expensive in this case. We are farther back than we had originally planned to go.

Mr. GORE. How large a part of your cost is pumping?

Mr. DEAN. I am thinking now not of the operating cost, but of the cost of laying pipe. Could we stay off the record a minute?

Mr. GORE. Yes.

(Discussion off the record.)

Mr. GORE. Can you give us any reasonable assurance that your estimate is now near the mark?

Mr. DEAN. All we can do on these things, Mr. Gore, is to give you the best estimate that we can, what we have in our mind as we see it as of today.

The design is 40 percent complete. I would not want to say that this is the total bill for the Savannah River project, because I cannot honestly say it.

Mr. GORE. All this committee can do is go ahead and build it?

Mr. DEAN. I honestly think, under the circumstances, that is the only thing you could do. The only alternative would be to cut out one of the areas which would reduce the program by that much. These are independent areas. That could be done, but given the best designs you can get, given a good company, and given decent supervision and an attempt not to waste money I do not see that you have any other course in this.

Mr. GORE. I will conclude, Mr. Thomas, if you will take program direction and administration.

Mr. THOMAS. Let me see if I can save everybody's time in the form of a brief summary.

You and the Commission staff have done a very complete job.

I did not get your last figure there on your best guess on the total development of the Savannah River project. You started at $600 million, and now you have it up to $900 million.

Mr. DEAN. That was in December, 1950. Our estimate today is $1,180,000,000.

Mr. THOMAS. In terms of months how long will it take you to get it completed, as far as you can tell?

Mr. DEAN. Off the record.

(Discussion off the record.)

Mr. THOMAS. At a total cost of about $1,180,000,000 which is an overrun of about 100 percent. Does that include the overrun on your cost of land?

Mr. DEAN. Oh, yes.

APPROPRIATION ESTIMATE

Mr. THOMAS. You have an appropriation estimate here of $1,312,000,000 for 1953, which includes $57,000,000 to liquidate contract authority heretofore granted. With that $57,000,000 you will have left in contract authorization $630,000 which can be rescinded or reappropriated, is that correct?

Mr. MCCARTHY. Yes, sir, that is correct. We feel we can absorb that small amount.

OBLIGATIONS BY ACTIVITIES

Mr. THOMAS. Your program is broken down to two main heads, namely operations to the tune of $802.7 million, against a little less than $722.4 million for 1952, and your plant, equipment and con-

struction which for 1953 is $453.5 million against a little less than $585.6 million for 1952, is that correct?

Mr. McCarthy. Yes, sir.

PLANT AND EQUIPMENT ACTIVITY

Mr. Thomas. Of that $453,500,000 for 1953 on construction, and I have the figure here, but I cannot put my finger on it, $284,000,000 is for Savannah alone?

Mr. McCarthy. That is correct.

OPERATING ACTIVITY

Mr. Thomas. Your operating program is broken down into your five big operating costs, fissionable materials, weapons program, reactor development program, physical research program, biology and medicine and community facilities, and then, of course, is your operating cost which is headed up under program direction and administration, and then you have programs like storage inventories, and special reactor materials, and you have unliquidated obligations.

Operations

PROGRAM DIRECTION AND ADMINISTRATION

PERSONAL SERVICES

I note you have requested here for 1953 a total for AEC of 7,505 employees, is that correct?

Mr. Waller. That is positions.

Mr. Thomas. That is actual jobs?

Mr. Waller. That is positions; that is right.

Mr. Gore. What was the figure for 1952?

Mr. Waller. Seven thousand three hundred and six.

Mr. Thomas. I note on page 526, if my memory serves me correctly, that there is quite a difference in the figures. Maybe you can explain that apparent mix-up here. At the top of page 526 you have the total number of positions for 1953 as 5,332 against 5,203 for 1952.

Mr. Waller. The 5,203 and the 5,332 are "Program deduction and administration positions. In the committee print, in the 7,505 figure we have included some direct AEC employees who are charged to other programs, such as guards associated with weapons, raw materials geologists, and so forth.

Mr. Thomas. The only thing I want to get straight is the 7,505 jobs chargeable under your AEC program.

Mr. Waller. Yes.

Mr. Thomas. How many is it for 1952?

Mr. Waller. Seven thousand three hundred and six total.

CONTRACTOR EMPLOYEES

Mr. Thomas. Now I note for 1953 for your other contractors' programs you have 62,860 employees; is that correct?

Mr. Waller. That is our estimate for 1953.

Mr. Thomas. What is that figure for 1952?

Mr. Waller. Actual operations went up in 1952 with 52,357 people at the end of the year.

Mr. THOMAS. Now, your AEC employees and your contractor employees here, 62,860 for 1953 do not include your construction ememployees, is that corerct?

Mr. WALLER. That is right.

CONSTRUCTION EMPLOYEES

Mr. THOMAS. What is the approximate number of those?

Mr. WALLER. I do not have the end-year figure on construction, but we anticipate that we will average around 70,000 for the year.

TOTAL EMPLOYEES, AEC PROGRAM

Mr. THOMAS. So, for 1953 you will have approximately 70,000 on construction contracts, 62,860 contractor employees, and 7,505 of your own employees?

Mr. WALLER. That is right.

Mr. THOMAS. About 137,000 employees for the fiscal year 1953 for the Atomic Energy Commission?

Mr. WALLER. The construction employment in this program fluctuates sharply. We start the year with 66,000 and it picks up to 82,000 in the middle of the year.

Mr. THOMAS. With a figure of 70,000 average throughout the year.

Mr. WALLER. That is right. These construction workers are all contractor employees.

Mr. THOMAS. But the Atomic Energy Commission pays the salaries of this 137,000 group.

Mr. WALLER. Through the contractors.

Mr. THOMAS. Regardless of the category they are in.

Mr. WALLER. That is correct.

WEAPONS PROGRAM EMPLOYEES

Mr. THOMAS. Does this 7,505 include Atomic Energy employees under your program of weapons development?

Mr. WALLER. There are a few assigned to weapons that are included in the 7,505.

Mr. THOMAS. Are they included in this 62,860 contractor employees?

Mr. WALLER. No.

Mr. THOMAS. Where are they included?

Mr. WALLER. They are included under the "Weapons program" personal services.

Mr. THOMAS. I mean are they chargeable to your weapons program and they are not chargeable to this figure of 7,505?

Mr. WALLER. They are chargeable to the 7,505.

Mr. THOMAS. They are included in the 7,505.

Mr. WALLER. Yes, sir.

Mr. THOMAS. How many of them are in the District of Columbia, and how many of them are in the field?

Mr. WALLER. There are none in the District.

Mr. THOMAS. You mean that there are none in the District?

Mr. WALLER. Not chargeable to the weapons program.

PROGRAM DIRECTOR AND ADMINISTRATION PERSONNEL

Mr. THOMAS. Where are they chargeable?

Mr. WALLER. The District people are chargeable to "Program direction and administration." The people charged to the Washington office for the fiscal year 1953 total 1,439 positions.

Mr. PHILLIPS. And how many were there last year?

Mr. WALLER. Last year there were 1,269, an increase of 170.

Mr. THOMAS. Let us turn to page 590 on your Washington program here, and we will take that up at this point. For 1952 you had 1,509 employees in the District of Columbia.

Mr. WALLER. Those are charged to the Washington office, but 273 of those are located physically at Oak Ridge. There is an Oak Ridge extension. If you will turn to page 591, that is your breakdown there.

Mr. THOMAS. And 1,531 for 1953.

Mr. WALLER. That is right.

Mr. THOMAS. You have a slight increase in the District of Columbia.

Mr. WALLER. Again I would like the record straight on that, Mr. Thomas.

In the District of Columbia for 1952 we had 1,229 people or positions, and for 1953 we have 1,258 positions.

Mr. THOMAS. No; your chart does not show that.

Mr. WALLER. Page 591, I think, will clarify this.

Mr. THOMAS. I am looking at page 590, and it shows that you have 1,509 permanent positions in the District of Columbia for 1952, and 1,531 for 1953.

Mr. WALLER. The title of that page is "Washington headquarters and extensions." The extensions are in Oak Ridge, and the extensions aggregating 275 people are located in Oak Ridge or New York, so that you have in the District of Columbia 1,509 minus your 275.

Mr. THOMAS. What are the other employees covered in the Washington office?

Mr. WALLER. On page 591 you have declassification branch, 13; technical information service, 217; S. F. materials accountability, 20; exploration and foreign procurement, in New York, 17, and research materials and information, 6. Those people would be in Washington if we had the space here for them. They are doing Commission-wide functions but are located at Oak Ridge or New York.

Mr. THOMAS. That is about 275 people who are chargeable here?

Mr. WALLER. Yes, sir; that is right.

SALARIES PAID IN ATOMIC ENERGY COMMISSION

Mr. THOMAS. In looking over your personnel set-up here in your organization chart, the Atomic Energy Commission pays by far the best salaries of anybody in the Government. Is that an acceptable statement to you gentlemen?

Mr. WALLER. Are you addressing that to me?

Mr. THOMAS. Anybody who wants to answer it.

Mr. WALLER. I would like to answer that. I think, perhaps, that our salaries in relation to other agencies would compare very favorably. I think they must be examined in terms of the program that is being administered.

Mr. THOMAS. I did not ask you that.

Mr. WALLER. We pay salaries that are comparable to those being paid under the Classification Act and under the statutory authorities given other departments.

Mr. THOMAS. By what authority do you pay the salaries that you pay?

Mr. WALLER. Two basic authorities. One is Public Law 585, the basic Atomic Energy Act. The other is Public Law 820, which establishes the salaries of the Commissioners and the General Manager.

There is an appropriation rider which this committee wrote into our 1948 appropriation act which limits us to classification rates of pay for nonscientific or technical salaries, and we are following that very carefully.

Mr. THOMAS. That is just the point I am fixing to get up to.

Under your basic act you have practically unlimited authority, regardless of the Classification Act, to pay and classify your employees as the Commission deems necessary; is that about the long and short of it?

Mr. WALLER. It is very broad. I think your version is quite accurate.

Mr. THOMAS. I will read it into the record:

> Such officers and employees shall be appointed in accordance with the civil-service laws and their compensation fixed in accordance with the Classification Act of 1923, as amended, except that to the extent the Commission deems such action necessary to the discharge of its responsibilities personnel may be employed and their compensation fixed without regard to such laws.

So far as any restraint on you is concerned, there is none in your basic act.

In the Independent Offices Appropriation Act there is some limitation placed upon you, and it reads as follows:

> *Provided*, That no part of this appropriation shall be used to pay the salary of any officer or employee (except such officers and employees whose compensation is fixed by law, and scientific and technical personnel) whose position would be subject to the Classification Act of 1949, as amended.

LIMITATION ON SALARIES EXCEPT FOR SCIENTIFIC AND TECHNICAL PERSONNEL

In other words, the only limitation put on you there is scientific and technical personnel. Just what do you call "scientific and technical personnel"? It is left to you to call your own shots in that regard. Whom do you call "scientific and technical personnel"?

Mr. WALLER. We are sticking with the Classification Act standards in every job of the Commission save two. There are two positions which we have designated as "scientific and technical" on which we exceed the Classification Act salaries. Those two positions are the Deputy and the Assistant General Managers. Other than those, we have stuck very close to the definitions in the various grade levels under the law, and by using the Civil Service Commission practices in line with job allocations made by Congress, we are trying to follow the intent of this committee.

Mr. THOMAS. Of the 7,500 personnel proper that you charge under this program to directing and planning, what part are scientific and technical personnel?

Mr. WALLER. We consider positions which require an engineering background, engineering talent, to be included in the scientific and technical staffs.

Mr. THOMAS. What part would that be of this hog-round figure?

Mr. WALLER. Approximately 26 percent of the total staff are considered scientific and technical.

Mr. THOMAS. That is in the program where you have 7,500 employees?

Mr. WALLER. I am talking about the 7,500 people; right.

CONTRACTOR SCIENTIFIC AND TECHNICAL EMPLOYEES

Mr. THOMAS. What part of these 62,860 people, your contractor employees, do you grade as scientific and technical personnel?

Mr. WALLER. I do not have a figure that I would consider accurate.

SALARIES OF CONTRACTOR EMPLOYEES

Mr. THOMAS. Do you set the salaries, or do you let the contractors set the salaries?

Mr. WALLER. The contractors set the salaries in line with prevailing practices and in line with their own company policies, subject to our review of them. Those salaries are established primarily on local prevailing wages in most cases and, of course, follow the salaries set by the Davis-Bacon Act for construction and the Wage Stabilization Board for wage adjustments.

Mr. THOMAS. I was talking about the contractor employees.

Mr. WALLER. The 62,000 operating people have their salaries fixed by the contractors with review by the Commission staff.

Mr. THOMAS. What part of the 62,000 come under the exemption from classified civil service?

Mr. WALLER. They are the contractors' private employees; they are all employees of private companies—General Electric, du Pont, Monsanto, Carbide, and so forth. They are not associated in any way with the Classification Act. The Classification Act rider applies only to the AEC employees—Federal employees—and that is the 7,500 people.

CONTRACTOR SALARIES COMPARED WITH SALARIES UNDER THE CLASSIFICATION ACT

Mr. THOMAS. That is how I understand that. Now, how does that salary schedule compare with the salary schedule laid down by the Civil Service Classification Act of 1923 for doing the same or similar work?

Mr. WALLER. The Classification Act of 1923 as amended at different times?

Mr. THOMAS. That is right.

Mr. WALLER. It is a little dangerous to generalize about contractors' salaries, because they vary geographically and, of course, the Federal pay scale is across the board and is the same in the low-employment areas as in the big industrial areas so that there is some danger in generalizing. But at that risk I would like to answer the question.

Mr. THOMAS. That is where you pay your big money; that is where you come up with paying a plumber $750 in 1 week.

Mr. WALLER. Three dollars an hour is established under the Bacon Davis law by the Labor Department as the plumber's rate in that area. I have some data on this.

Mr. THOMAS. Can you give me the information now of some of the outstanding salaries of those making up these 62,000?

Mr. WALLER. The 62,000 people are paid by the contractors using policies of their own, and they vary from the Federal pay schedule under the Classification Act. At the low end of the skill curve, the clerical end, you will find generally that the Classification Act rates are equal to or perhaps higher than those rates normally paid in private industry. At the other end of the skill curve, the management end, or the top scientists, technicians, engineers, and so forth, the Classification Act continues to be remarkably lower than most of the industrial practice. I am speaking now from 10 years' experience as salary administrator in industry, so this is not all from a Government viewpoint. At the upper end of the salary schedule, industry is better and probably always will be better, than the Federal schedule.

Mr. THOMAS. You have given us some good, sound information that we live on every day. What we are trying to get from you is not what other agencies do, but we are talking about what your own agency does in the way of payment to those 62,000 people. What part of those 62,000 people are scientists or engineers who are exempt under your pay scale now?

Mr. WALLER. The 62,000 are not affected by the pay scales of the Government in any way. They are controlled——

Mr. THOMAS. How does their pay now compare with the 26 percent of your 7,500 people who are classified by the Commission as technical and scientific?

Mr. WALLER. It compares favorably except at the very top. Private industry at the top pays more than we are able to pay under the Classification Act rates. I will have to take it job by job to get it more specific than that. I am not deliberately trying to be general here, but this is a rather general question.

Mr. THOMAS. You mean you have employees, say, at Hanford or Oak Ridge of General Electric or of any of your big contractors at industrial facilities that you pay salaries to in excess of $17,000, $18,000, and $20,000?

Mr. WALLER. We are paying officers of our top contracting people the salaries that their companies have decided they should get if they were working on their private payrolls. That is one reason we are employing contractors—to get the skills and abilities of people working for contractors.

Mr. THOMAS. What are the salaries at Oak Ridge, Hanford, and the others?

Mr. WALLER. I do not have the details with respect to the salaries of the contractors. They range well above what we are able to pay in the Federal Service.

Mr. THOMAS. Does someone here have that information?

Mr. WALLER. I can supply it for the committee. The highest reimbursed salary at Hanford is $17,500. We can supply the other to the committee, if you would like.

Mr. PHILLIPS. What does the witness mean by "highest reimbursed salary"? Do you mean they are under contract for a specific lump

sum so that there might be included salaries that were higher than that one? I thought General Electric at Hanford was taking that contract for a dollar a year.

Mr. SHAW. Would you like me to explain how that works?

Mr. PHILLIPS. I just want to know what you mean by "highest reimbursed salary."

Mr. SHAW. It is the highest salary that appears on the payroll at Hanford.

Mr. PHILLIPS. By the Government?

Mr. SHAW. Yes.

Mr. THOMAS. The Government pays all of the cost out there plus a $1 fee. How do you reconcile those two statements that the highest reimbursed amount is $17,500 but does not include some of the other salaries there of General Electric?

Mr. SHAW. You are familiar with the provision in the general contract that provides for a monthly overhead payment. With the exception of the vice president of the company, who is in charge of the Hanford operations, all other employees appear on the Hanford reimbursed payroll. They, therefore, appear on different payrolls of the company, and we see only those which start at the No. 2 man and go down.

ORGANIZATION CHARTS

Mr. THOMAS. Looking over the charts of Federal employment of your 7,500 positions, of which approximately 1,500 are in the District of Columbia, I took note of the legal set-up, organization, and personnel, information, finance, audit, budget, and supply, certainly on your "security" it looks to me like you are tremendously overstaffed.

Mr. WALLER. It might be germane to give you a few figures I have run up on the functional distribution of all of our people.

Mr. THOMAS. Let me read you mine. I have done some of that figuring, too.

NUMBER OF LEGAL PERSONNEL

Here in the District of Columbia you have 73 lawyers and in the field you have 140, giving a total of 213.

Mr. WALLER. Those are not all lawyers.

Mr. THOMAS. I understand. You have some stenographic and clerical in there.

Mr. WALLER. A considerable number.

Mr. THOMAS. You have some patent attorneys and so forth.

Mr. WALLER. The lawyers total for 1952 77, and for 1953 it totals 81 lawyers.

Mr. THOMAS. How many in the District of Columbia?

Mr. WALLER. In Washington we have 18 lawyers for 1952 and 20 for 1953. And the remaining staff——

Mr. THOMAS. What is the total, then, for lawyers in the District of Columbia and in the field?

Mr. WALLER. The total, Washington and field, is 77 for 1952 and 81 for 1953.

Mr. THOMAS. And then you have supporting help——

Mr. WALLER. You come up with a total staff of 156 in 1952 and 162 in 1953.

Mr. THOMAS. My figure is 213 in 1953.

Mr. WALLER. You may have included the patent staff.

Mr. THOMAS. That is right.

Mr. WALLER. The patent staff for 1952 is a total of 53 people, and for 1953 it drops down to 50.

Mr. THOMAS. How many lawyers are there in that 50?

Mr. WALLER. On the payroll as of February 1, we had five patent attorneys in Washington and 10 in the field—a total of 15.

Mr. THOMAS. You certainly do not need 15 patent attorneys and 35 supporting help.

PERSONNEL RATIO

In organization and personnel, you have 306—73 in the District of Columbia and 233 in the field.

Mr. PHILLIPS. For a total of how many employees?

Mr. THOMAS. 7,500.

Mr. WALLER. Let us be certain to understand what this organizational personnel group does.

Mr. THOMAS. There is a limitation in this bill saying you can have but one personnel employee to 115 employees.

Mr. WALLER. That is for Federal employees, measured against the 7,500.

Mr. THOMAS. If you put a pencil to that, instead of having 7,500 employees, you would have to have 35,000.

Mr. WALLER. As a matter of fact, we have 62,000 plus on construction, for in this figure you have for "Organization and personnel" is all of the work we do for all employees.

Mr. THOMAS. Wait a minute. You are taking me a little too fast.

Mr. WALLER. I would like to be certain I am precise. The ratio of 1 to 115, which has held back our personnel program, applies only to Federal employees.

Mr. THOMAS. Why has it held you back, when everybody else throughout the Government says it is too lenient?

Mr. WALLER. You have information I do not have. Actually we have 50 people doing work on Federal employees. In this group you have identified are people working on the contractor-labor program, on the safety and fire-protection program, on organization, methods, procedures, and work of that sort, independent of the Federal personnel effort.

Mr. THOMAS. At Hanford you have about 8,826 employees. How many at Hanford do you have working on the safety and fire-prevention program in addition to these you mentioned that include those at Hanford?

Mr. WALLER. The 8,800 are contractor employees. The AEC staff is 367.

Mr. THOMAS. According to my figures, you have in your 7,500 employees 306 employees doing organization and personnel. That does not include those 62,860 in their activities. But take, for a common example, you have 8,826 employees at Hanford not included in your 7,500. How many of those 8,800 at Hanford are doing personnel work; how many are doing safety work; how many are doing fire-prevention work, in addition to the 306 you have already mentioned?

Mr. WALLER. I do not have the breakdown on contractual employment. We would have to supply that.

While we are getting that statement, may I go back to the number of people on the AEC staff versus the contractor's staff?

Mr. THOMAS. If you will wait, we are going to show you how many at Hanford are doing the same identical work for which you have 306.

Mr. WALLER. That is a point at issue that I think we should be clear on.

Mr. THOMAS. Let us get the figure.

Mr. WALLER. If they were doing the same identical work, some would be unnecessary, of course.

Mr. SHAW. The way the General Electric Co. is organized, their employment service, which corresponds to our Personnel Division, is grouped with the functions which they perform in the way of community relations and information services, which we handle as separate items. Their total in both of those things is 111 people.

Mr. THOMAS. At Hanford alone?

Mr. SHAW. That is the closest breakdown I have in the data with me.

Mr. THOMAS. And they are doing what—personnel work and information work?

Mr. SHAW. That is personnel and information.

Mr. THOMAS. Do you have an approximate figure of the breakdown between personnel and information?

Mr. SHAW. Approximately, I would break about two-thirds into personnel and one-third into information, which would make this figure 80 people in personnel work, including recruitment and personnel.

Mr. THOMAS. Looking over here at organization and personnel, you have 306 in the District of Columbia and in the field that are chargeable to your 7,500 employees. Now, do you have personnel people in addition to those 66 you have at Hanford, also, in New York, Brookhaven, Oak Ridge, Dayton, Savannah, San Francisco, Santa Fe, and including Idaho, Chicago, Ames, Berkeley, Pittsburgh, Schenectady, and three others that I have not mentioned? What do they all total up for the personnel work?

Mr. WALLER. You have a personnel staff located in each operation office. These people handle the direct Federal employees. They recruit their own, but the people in the District of Columbia have to recruit the Federal employees.

Mr. THOMAS. What do they total?

Mr. WALLER. They total 50.

Mr. THOMAS. What is the total of contractor employees for that same job?

Mr. WALLER. He does not do that job. That job I have just described is for AEC people, and the contractor does not need any.

Mr. THOMAS. The gentleman over here just said the contractor at Hanford had 66 people doing personnel work.

Mr. WALLER. That is for the General Electric Co. employees.

Mr. THOMAS. That is for all of them.

Mr. WALLER. At Hanford we have about 6 people in our own office who are handling AEC people and are reviewing labor situations, wage scales, reimbursement orders, and so forth for the General Electric Co. We are also involved in the enforcement of the Bacon-Davis Act, seeing that we stick with the stabilization procedure, and

so forth. So, we are doing a supervisory job over labor relations and industrial relations that is done by each contractor around the country. This job varies between construction contractors and operation contractors. The people you have added up to a total of around 300 are doing both jobs. They are supervising the construction and operating contractors' labor-relations program and handling direct employment, pay, and so forth for the 7,500 people. Those people covered by your ratio of one to 115 employees number 50, and that ratio applies against the 7,500 people.

Mr. THOMAS. How many of them do you have in your contractor employees doing personnel work?

Mr. WALLER. I do not have that breakdown.

Mr. THOMAS. We had 66 at Hanford. Can anybody give us the figure as to the number you have at Berkeley, Savannah River, Oak Ridge?

Mr. WALLER. We could review all of the organization charts of all of the contractors and supply that data to the committee. There would be several hundred contractors to examine.

Mr. THOMAS. The way I figure it, instead of being 1 to 115, it is much in excess of that.

Mr. WALLER. Taken as a whole—I checked this last year, incidentally; I have not checked it recently—the entire atomic-energy program is operating on about 1 to 125, which is better than the ratio of 1 to 115. That is all contractors and all ECA people. We are running about 1 to 125 for the entire industry.

Mr. THOMAS. So you have done 10 better.

Mr. WALLER. That is industry-wide, and we would be very happy to leave that industry-wide. But then there are great variations. In construction, you can handle thousands of contract workers with very few personnel people, but a laboratory will require a lower ratio. You may have to have about one to 50 people there to do a proper job.

DEPARTMENTAL AND FIELD PERSONNEL EMPLOYEES

Mr. THOMAS. Why do you need 73 in the District of Columbia to supervise 233 in the field?

Mr. WALLER. I do not follow that question.

Mr. THOMAS. You have 306, total, here for the field and the District of Columbia, and of those 73 are in the District of Columbia, leaving 233 in the field. Why does it take 73 in the District of Columbia to supervise the 233 in the field?

Mr. WALLER. You have a group in Washington that are doing two things. One group is handling the personnel job for the Washington office—that is, handling the 1,200 or 1,300 people in the Washington shop.

Mr. THOMAS. 1,500.

Mr. WALLER. I have part of that 1,500 in Oak Ridge. The rest of the people are setting standards, handling nation-wide policies and programs, establishing safety and fire prevention standards for the industry, and are doing the top staff supervisory job.

Mr. THOMAS. You have all chiefs and too few Indians here; have you not? That is just what I am getting at. What do you need with 73 here to lay down rules and regulations, where you have the field force doing practically the same thing?

Mr. BOYER. I would like to insert an observation that we must, of necessity, the way we work, have more chiefs in proportion to the Indians than you would have in a normal operation, where you are carrying out the operation itself. We require these people to exercise surveillance of the contract performance and determination of the programs, seeing that there is compliance with the Federal regulations and so forth, which calls for more people in the higher levels in proportion to the number of actual AEC employees than would be the case if we were operating the usual type of organization. We must of necessity let contracts in order to accomplish this program which has been placed upon us.

INFORMATION SERVICE

Mr. THOMAS. In the information service you have 291 in the District of Columbia and 33 in the field, making a total of 324 for 1953. What in the world do you need with 291 people in the District of Columbia on information, when the most of your activities are super, super secret? It is sort of an antithesis to me to have 291 people here when it is all secret.

Mr. WALLER. This is the technical information group in Oak Ridge. This is the group that operates as a publishing organization, handling technical information and classified information to be distributed among the laboratories in order to keep down unnecessary duplication of research and development effort.

Mr. THOMAS. Well, you have a lot of technical employees here, and you have 32 public information employees. You have a director here who is a GS–17, an assistant who is a GS–16, and two GS–13's.

Mr. WALLER. Those people are handling both public and technical information.

Mr. THOMAS. Why cannot you eliminate at least two-thirds of this group during this period of stress and strain?

Mr. WALLER. The technical information group is saving a great many dollars in avoiding this very thing that the committee wants to avoid and that we want to avoid—that is unnecessary duplication of research and development effort. By having people at Oak Ridge under our direct control operating editorial services and a printing plant we are able to publish thousands of classified documents and distribute them widely through the research and development centers so that the scientists and engineers throughout the project can know what has been done, what is published and available, and not have to repeat much expensive and very unnecessary development; also to speed their own work in lines parallel to that reported on in these classified documents.

Mr. THOMAS. And it takes 291 people to do that?

Mr. WALLER. It takes about 182 people, we think, to do this publishing job. There is, in addition, an abstracting indexing and reference library type of function which goes along with the over-all technical information function, which brings that up to the number you stated. That is a very significant piece of work which saves dollars over all.

Mr. THOMAS. Well, that is a very enlightening statement. It proves certainly almost beyond refutation, then, that you have more duplication than you can say grace over, if you have 291 people to print a

document and send it out and tell the other fellow what who is doing in order to keep him from stepping on somebody else's toes.

FINANCE WORK

In finance, audit, and budget, you have 907 people—727 in the field and 180 in the District of Columbia.

Mr. WALLER. That breaks down into budget with 103 people, which is 1.4 percent of our total staff, and the accounting and finance group of 770, which is a lot of people but which is essential in order to have a properly integrated accounting system with our contractors and be sure we are getting what we pay for. That accounting staff amounts to 10.3 percent of our total Federal employees.

Mr. THOMAS. How many people does the contractor at Hanford have doing accounting work, in addition to those 907 people you mention? How many people do you have at Hanford engaged in accounting by your contractor there?

Mr. PHILLIPS. Including the bookkeeping staff as well as the accounting staff.

Mr. SHAW. The total financial staff of the General Electric Co. at Hanford at the moment has 443 people in it. That includes the following group of functions: Accounting for engineering, accounting for manufacturing, medical and specialized accounting, payrolls and community, and includes those people necessary for construction accounting, since at the time this number was prepared the General Electric Co. was doing construction work.

Mr. THOMAS. Did you say 443?

Mr. SHAW. For the 9,000 employees.

Mr. PHILLIPS. What do you mean by medical accounting?

Mr. SHAW. Accounting for the hospital. We operate a community hospital.

Mr. THOMAS. Of these 180 you have in the District of Columbia, how many are actually doing finance work for your 1,500 employees here?

Mr. WALLER. I cannot give you a detailed breakdown on that.

Mr. THOMAS. Approximately?

FINANCE DIVISION

Mr. WALLER. The Central Accounts Department in Washington handles all of the records of account for the entire atomic-energy program. Our Payroll Department has to handle the accounts of contractors operating out of Washington. As to the part of that total Central Accounts group, I am not sure I have the breakdown.

Mr. NOBLE. We have 143 positions in the Controller's staff, which is the Finance Division. 44 of those are engaged in what might be called accounting operations—that is, keeping the central accounts, preparing all of the consolidated statements, the monthly statements and the annual statements, performing the review of the field functions in accounting and auditing work. We have 30 people engaged in the direct budget operation and 38 establishing the accounting policy procedures and standards for each of the field operation offices which maintain an accounting system and perform audits. We have a

staff of 19 investigators for the purpose of reviewing procurement and other practices, which is a type of review that is not done by the ordinary accounts examination. There are 12 people in my immediate office. That is a breakdown of the finance group.

Mr. THOMAS. Of course, your Finance Division does not do the payroll work for the 1,500 employees in the District of Columbia; does it? This figure of 180 in the District of Columbia is in addition to those who handle your payroll accounts for employees in the District of Columbia; is it not?

Mr. NOBLE. No. The payroll clerks are included in the figure of 44 that I gave you for operations work.

Mr. THOMAS. So they all number 180. What is the total for "operations"?

Mr. WALLER. The total staff breakdown is on page 598 of the budget. It adds up to 143 people in the Division of Finance plus the 40-odd you have mentioned as the Operating group, which gives you the 180 figure you have been using.

SUPPLY BRANCH

Mr. THOMAS. Take "supplies." You have 154 in the District of Columbia and 660 in the field, giving a total of 814. What are the 154 people in the District of Columbia doing?

Mr. WALLER. Those people are involved in priority programs, the acquisition of controlled materials, which is all being handled through the Washington office for the field, and they are handling the procurement of real estate, the transportation program, railroads, and so forth, and communications.

Mr. THOMAS. Do not you allow these various 20-odd installations here to do their own procuring?

Mr. WALLER. On many materials there is need to have a central coordination with the controlled materials program and the NPA.

Mr. THOMAS. As a matter of fact, you let contracts up to $5 million without consulting the central office; do you not?

Mr. BOYER. They consult the central office. That is for the signing of the contracts. The authority just permits those men to sign, but the contracts of that magnitude are brought to the attention of the people in Washington, and they are familiar with the terms and conditions and objects of the contract.

Mr. THOMAS. But they still have authority to obligate the Government up to $5 million without Washington approval?

Mr. BOYER. No; that does not happen.

Mr. THOMAS. When did you change the rule? It has been testified time and time again that was the rule.

Mr. COOK. They have authority to sign contracts up to $5 million, but prior to signing, the contract first goes through the budget procedure as far as programing approval is concerned and is cleared as far as the appropriation is concerned by this committee. Then they go through the contractor selection procedure, which again is approved by the Commission. Then they go through the actual negotiation, which is reviewed and approved by the Commission and prior to the signing of the contract, is reviewed and approved by the Commission.

SUPPLY EMPLOYEES OF CONTRACTORS AT HANFORD

Mr. THOMAS. How many supply employees does the contractor at Hanford have?

Mr. BOYER. This is construction and supply rather than supply alone.

Mr. SHAW. There are 432 in Hanford.

Mr. THOMAS. For supply?

Mr. SHAW. For supply and warehousing. It is all one group, and they handle, in addition to construction, operating supplies.

PERSONNEL AND INFORMATION WORK AT HANFORD

Mr. THOMAS. Out of these 8,000 operating employees, how many are engaged in the supply process? Do you have a figure as to how many of them are engaged in personnel work?

Mr. SHAW. I estimated them as two-thirds of the total of 111.

Mr. THOMAS. That is 66.2. How many are engaged on information work at Hanford?

Mr. SHAW. The rest of that group—the difference between 66 and 111.

Mr. WALLER. A word should be said on what has been called "information." It is part of the General Electric program on industrial relations throughout the country. This is a program of industrial and community relations that heads up under Vice-President Boulware of the General Electric Co. in New York. So part of those people charged to the information group are carrying out the contractor's program of employee and community relations and are not governmental "information people' 'in the ordinary sense.

Mr. THOMAS. As far as I remember, the community facilities people are not charged in the figure of 7,500.

Mr. WALLER. What I am trying to be explicit about is that under the GE method of employment, they have a different system of handling employees relations, community relations, and industrial relations than is typical of most of the Federal agencies. When you buy a contractor, you buy many of his best practices, and this happens to be one we buy from the General Electric Co.

WEAPONS PROGRAM PERSONNEL

Mr. THOMAS. Are your weapons program people charged to your 7,500 here?

Mr. WALLER. Yes, sir. The AEC Federal people, including the military people assigned to us, are in the 7,500.

Mr. THOMAS. How many contract employees are chargeable to the weapons program? You say Santa Fe, including Sandia, has 15,855 contractor employees?

Mr. WALLER. That is the figure I have—15,855. Those are located at many sites throughout the country. We can give you a breakdown of that if you would like it.

Mr. THOMAS. Please.

Mr. WALLER. Some of this should be off the record.

(Discussion off the record.)

INCREASE IN EMPLOYMENT

Mr. THOMAS. What is your total increase for 1953 over 1952 of your direct AEC personnel? Is it 211 over 1952?

Mr. WALLER. One hundred and ninety-nine, I think, is the figure.

Mr. THOMAS. What is the dollar cost; what is the excess in 1953 over 1952 for the dollar cost?

Mr. WALLER. For personal services?

Mr. THOMAS. Yes. For the total personal services it is about $5 million?

Mr. WALLER. That is right—$5.4 million.

Mr. THOMAS. You are going to pay 200 people with that?

Mr. WALLER. No, sir. The man-years go up. This goes to the average salary for average employment, and the average employment goes up higher than 199. It goes up to 892 additional throughout the year. That is 892 people next year more than we average in 1952.

Mr. THOMAS. But you have 200 more jobs in 1953 than you have in 1952; yet you have a salary increase of approximately $5 million for 1953.

Mr. WALLER. The salary increase; that is right. The man-years of employment in 1953 we anticipate will be higher by almost 900 man-years than in fiscal 1952. That takes some explaining, I think.

Mr. THOMAS. Nine hundred man-years is about 1,200 jobs more in 1953 than in 1952, rather than 200.

Mr. WALLER. No. We are planning to have filled many jobs that we did not fill this year because of the employment freeze we put on last July.

UNEXPENDED BALANCE FOR PERSONAL SERVICES

Mr. THOMAS. What is the unexpended balance at the rate you are going now for salaries in 1952 that you did not put on?

Mr. WALLER. We think it is going to catch up and pass it.

Mr. THOMAS. As of, say, January 1, what is the unexpended balance?

Mr. MCCARTHY. For personal services, out of the total of $33 million——

Mr. THOMAS. On an annual basis, as of January 1.

Mr. MCCARTHY. December 31 is the last report I have.

Mr. THOMAS. Is that on an annual basis?

Mr. MCCARTHY. The actual expenditures through the first 6 months of the fiscal year amounted to $14,788,000.

PAY ACT COSTS

Mr. THOMAS. What is the pay act cost in dollars and cents?

Mr. WALLER. $2.9 million.

Mr. THOMAS. Do you absorb all or any part of that?

Mr. MCCARTHY. We absorb all of it; we absorbed the entire amount.

Mr. THOMAS. You will not be back for a deficiency?

Mr. MCCARTHY. No additional funds will be required to meet the pay increase. We will need to increase the limitation, that is, our ceiling on personal services. Our present ceiling on personal services is $30.4 million. So we need an increase in our ceiling, although we will not need funds to cover the pay act.

Mr. THOMAS. Why won't you need funds?

Mr. MCCARTHY. We have been able to absorb the increase within our present budget.

Mr. WALLER. We put a freeze on back in July and kept it on until October 20, during the debate on the question of the effect of the Jensen and Ferguson amendments on AEC.

Mr. PHILLIPS. Did you put it on on a money basis or on a numerical basis?

Mr. WALLER. We put it on people—no more hiring. So, from July to August we had a one-for-one replacement. If somebody quit or died, we let the field employ somebody to replace him. But on August 4 we stopped that and began the attrition and dropped from 5,800 down to 5,500.

OPERATIONS ACCRUED-COST BASIS

Mr. THOMAS. On materials you jump from $254,221,000 in 1952 to $341,500,000 in 1953. How much of that are you spending for the item you call here "source?"

Mr. DEAN. As distinguished from fissionable?

Mr. THOMAS. Yes.

(Discussion off the record.)

WEAPONS PROGRAM

Mr. THOMAS. Now, on your weapons program I see an item where you were spending about $3.5 million to $4 million to maintain some plants in a stand-by condition. What is that figure?

Colonel FIELDS. It is an item of $3,768,000.

Mr. THOMAS. On weapons you jump from $200 million to $228 million. What is that?

Colonel FIELDS. $3.8 million is preproduction start-up.

Mr. THOMAS. What is that figure again?

Colonel FIELDS. $3.8 million for stand-by and preproduction start-up.

Mr. THOMAS. Is that a production facility?

Colonel FIELDS. Yes, sir.

Mr. THOMAS. Where is it located?

(Discussion off the record.)

Mr. THOMAS. You want $38 million over and above last year to finish your storage plant; is that correct?

Colonel FIELDS. That is correct.

Mr. THOMAS. What has your program cost you, and how many locations do you have?

(Discussion off the record.)

STORES INVENTORY

Mr. THOMAS. I notice you have a stores inventory request of $85 million for 1953 as against $81 million for 1952, and you state this is about a year's supply and your inventories are now about $43 million. Where are those inventories located?

Mr. BLOCH. They are located at our various plants—Oak Ridge, Hanford——

AEC INSTALLATIONS

Mr. THOMAS. How many installations does the Atomic Energy Commission have now, including the Washington area?

Mr. WALLER. Thirty-three locations.

(Discussion off the record.)

STORES INVENTORY

Mr. THOMAS. Who does the procuring of the $85 million of "current use and stand-by stores inventories," including all operating inventories of supplies, materials, and spare parts?

Mr. BLOCH. That is the inventory on hand at the end of the fiscal year. We are asking for a net increase in the stores inventory of $3,202,000 for fiscal 1953.

Mr. THOMAS. The inventory now is about $43 million, I believe you said.

Mr. BLOCH. The operating inventory.

Mr. THOMAS. Who does this purchasing?

Mr. BLOCH. Our contractors.

Mr. THOMAS. Does each one of your various locations do the purchasing, or is it done in the District of Columbia?

Mr. BLOCH. The bulk of the purchasing is done by our operating contractors.

Mr. THOMAS. How much is for the 7,500 people here, for the direct Commission employees? That is a lot of money—$85 million a year—and that is not for your construction equipment, either. You have about $31 million or $32 million coming up for that.

Mr. DEAN. This is a breakdown as between inventories for the local field offices as distinguished from inventories for contractors.

Mr. THOMAS. Well, we ought to have some information on it. Eighty-five million dollars is a whale of a lot of money.

Mr. BLOCH. The major items in those inventories are at the field offices. This budget reflects no change in the inventory at our major offices.

Mr. THOMAS. Is the $85 million in addition to your other objects of supplies and materials? Your other objects are broken down by subheads under all of your various installations, for supplies and materials, and so forth. Is this $85 million in addition to that for your other objects?

Mr. MCCARTHY. No, sir.

Mr. NOBLE. We are not asking for $85 million; we are just asking for an increase in inventories of $4 million. The $85 million is the total value of the inventories on hand projected for 1953.

Mr. PHILLIPS. I still do not understand, Mr. Thomas, why we are carrying an inventory of that size if a part of it, as the witness has said, is for the contractors.

Mr. MCCARTHY. These reflect contractors' inventories at some 60 installations, Mr. Phillips.

Mr. TAYLOR. These are the total operating inventories for all of the plants operated in the atomic energy program.

SUPPLIES AND MATERIALS FOR DEPARTMENTAL SERVICE

Mr. THOMAS. What do you spend for supplies and materials for your 7,500 employees that are charged directly to the Commission?

Mr. TAYLOR. We do not budget our supplies and materials in that fashion.

Mr. THOMAS. How do you budget them; are they included in this inventory of $85 million?

Mr. TAYLOR. Yes, sir.

Mr. THOMAS. How much do you spend here in the District of Columbia on supplies and materials?

Mr. TAYLOR. I do not have that figure before me, Mr. Thomas.

Mr. THOMAS. Turn to page 590, and let us see if it is listed there.

Mr. MCCARTHY. $273,000 for the Washington headquarters.

EXPENDITURES FOR STORES MATERIAL

Mr. THOMAS. Your average expenditures for the District of Columbia and for your 7,500 people in the field, plus your 62,000 contractor employees are about $85 million a year.

Mr. BOYER. No.

Mr. THOMAS. How much more is it than that?

Mr. MCCARTHY. That is the balance of inventories on June 30, 1953.

Mr. THOMAS. You figure that about $43 million, as you state here, is about a half year's supply, as well as I remember. You state:

At the present time the AEC current-use stores is valued at $43,000,000 which represents less than 1 year's investment in relation to AEC issues.

In addition to this $85 million, do you contractors spend funds for supplies and materials, and if so, how much?

Mr. TAYLOR. The $85 million, Mr. Thomas, is the estimated closing inventory as of June 30, 1953, and that is for the entire stores operating inventories for the atomic energy program.

Mr. THOMAS. Does that include your contractors?

Mr. TAYLOR. Yes, sir; it does include the contractors.

Mr. THOMAS. How much will you actually take out of inventory in 1953?

Mr. TAYLOR. The estimated issues for 1953 are about $81 million.

DISPOSITION OF STORES AND SURPLUS

Mr. THOMAS. Now, I notice that you have a lot of stores and surplus, and so forth, and you have disposed of a lot of them. What did you get for them, and what items were they?

Mr. TAYLOR. The stores are largely those stores which are peculiar to the plant of the Atomic Energy Commission, and which were procured at the time the plants were built, such as stores and equipment of the type used down at Oak Ridge.

Mr. THOMAS. How much did you get for that which you have made disposition of?

Mr. TAYLOR. The large part of that that we have distributed has been distributed within the Atomic Energy Commission and within other Federal agencies by transfer. I could give you those figures.

The total disposals by transfers to other AEC installations in 1951 were $3.5 million.

Mr. THOMAS. What did you do with those?

Mr. TAYLOR. We transferred those from one installation to another where they were needed.

Mr. THOMAS. That is what you do with your entire $85 million worth, that is for the use and benefit of the Commission and its contractors?

Mr. TAYLOR. That is right.

Mr. THOMAS. You are not sure that you have not another item in here of $40 or $50 million for supplies and materials for your 62,000 contractor employees?

Mr. TAYLOR. No, sir.

TRANSFERS TO OTHER AGENCIES

Mr. PHILLIPS. On your transfers to other agencies, do you get money for them?

Mr. TAYLOR. Yes; that is reimbursable.

Mr. PHILLIPS. Where does that show on your record?

Mr. THOMAS. It does not show. What does it amount to dollarwise?

Mr. TAYLOR. On the transfers to other agencies $6.8 million.

Mr. THOMAS. For what year was that?

Mr. TAYLOR. For the fiscal year 1951.

Mr. THOMAS. What will it be for 1952 and 1953?

Mr. TAYLOR. That is pretty hard to estimate in advance, as to what the estimated transfers to other Federal agencies will be.

Mr. THOMAS. What is the nature of the items you transfer?

Mr. TAYLOR. We have transferred equipment, we have transferred materials and supplies, including lumber, and we have transferred almost all kinds of equipment.

PROCUREMENT BY GENERAL SERVICES ADMINISTRATION

Mr. THOMAS. Does the General Services Administration do any of your procuring for you?

Mr. TAYLOR. Yes, sir.

Mr. THOMAS. How much?

Mr. TAYLOR. Last year the General Services Administration bought about $10 million worth of equipment for us.

Mr. THOMAS. Is that included in this $85 million figure?

Mr. TAYLOR. Part of it would be included in the $85 million figure. They also procure equipment for us. This $85 million is not equipment; that is stores materials.

Mr. PHILLIPS. May we have a further definition of equipment? What do you mean; electronic equipment, machine tools, contracting, or office equipment?

Mr. TAYLOR. All kinds of equipment. They are general items that are capitalized. Equipment items in the atomic energy program are those items which have a life in excess of 1 year, and cost in excess of $50. These items are not budgeted in the stores program.

SPECIAL REACTOR MATERIALS INVENTORY

Mr. THOMAS. Now, you have two or three little items here which run into big money. You have $5,560,000 here for special reactor materials inventory. I understand that is scarce metals. Can you

not reduce that item? What about your contractor supplies in here in the amount of $31 or $32 million?

Mr. HAFSTAD. Mr. Robinson, will you take that?

Mr. THOMAS. Page 651 shows the special reactor materials inventory.

EQUIPMENT NOT INCLUDED IN CONSTRUCTION PROJECTS

What about the contractor materials here, amounting to around $31 or $32 million?

Mr. PHILLIPS. On what page is that?

Mr. MCCARTHY. Equipment is in the construction book, in volume III. It is on page 917.

Mr. THOMAS. To the tune of how much, $31 million for 1953?

Mr. MCCARTHY. Yes, sir, $31 million.

Mr. THOMAS. Well, now, you bought this equipment here, $31 million in 1951, $35 million in 1952, and you seek $31 million in 1953. What is the total amount of construction equipment that you have on hand now?

Mr. MCCARTHY. This is all operating equipment, Mr. Chairman.

Mr. THOMAS. Is it construction equipment?

Mr. MCCARTHY. All equipment bought for construction is charged to the cost of the project, and this is equipment which is on hand for the operating program. You see, on page 918 it gives a breakdown of it by the various AEC locations.

Mr. THOMAS. You have heavy mobile equipment, hospital and medical, laboratory, motor vehicles and aircraft, office furniture and machines, process, railroad rolling stock, reactors and accelerators, security and protection, shop and miscellaneous.

Mr. BOYER. Page 919 gives the detail of that. That is in the classified section.

Mr. THOMAS. This is all in addition to the contractors equipment?

Mr. MCCARTHY. Construction contractors.

Mr. THOMAS. Why did you not list this elsewhere?

Mr. MCCARTHY. This is in the capital portion of the budget where we list construction projects, and also capitalized equipment used in the laboratories and in the various production units.

Mr. THOMAS. This ought to be listed here under other objects, supplies, materials and equipment, should it not?

Mr. MCCARTHY. We list it under 09.

AUTOMOBILES AND AIRCRAFT

Mr. THOMAS. How many motor vehicles and aircraft do you want here for $1,493,000?

Mr. TAYLOR. 450 passenger-carrying vehicles, 327 replacement, and 123 additions.

Mr. THOMAS. How many do you have on hand now?

Mr. TAYLOR. How many passenger-carrying vehicles do we have on hand?

Mr. THOMAS. Yes.

Mr. TAYLOR. We will have 2,223 old vehicles in use at the end of 1953.

Mr. THOMAS. You will have 2,223, and you want 454?

Mr. TAYLOR. 450.

Mr. THOMAS. That will give you a total of how many, then?

Mr. TAYLOR. 123 of those are additions, so at the end of the year we will have 2,223, plus 123 or 2,346.

Mr. THOMAS. 2,346?

Mr. TAYLOR. Yes.

HEAVY CONSTRUCTION EQUIPMENT PURCHASES

Mr. THOMAS. How much construction equipment do you have on hand? I see no place in the budget where you break that down.

Mr. TAYLOR. No; we have not broken it out. We have a breakdown of our inventory of construction equipment, and it runs about $34 million.

Mr. THOMAS. Of construction equipment?

Mr. TAYLOR. Of heavy construction equipment; yes, sir.

Mr. THOMAS. How much are you buying in 1953, and how much did you buy in 1952?

Mr. TAYLOR. I do not have those figures available with us here, sir.

Mr. THOMAS. Where in this budget is that money charged under construction?

Mr. MCCARTHY. It is charged under construction—included in construction projects.

Mr. THOMAS. No place under the construction program is that equipment set up here?

Mr. MCCARTHY. No, sir; it is charged to the individual project as the equipment is bought, so that it is not a separate charge.

Mr. THOMAS. Well, the General Accounting Office stated that at your Savannah project you had too much heavy equipment down there sitting around idle and not being used.

Mr. TAYLOR. We did have to program a good deal of heavy equipment down there prior to beginning some of the projects to get the work going. I think if they were there now they would see most of that equipment rolling and working.

OTHER OBJECT COSTS

Mr. THOMAS. What is your total cost for your other objects, including travel, transportation of things, communication services, rent and utilities, printing and reproduction, other contractual services, supplies and materials, and all of your other objects, including taxes and assessments, first for your 7,500 program, and then for your contractors' program where you have 62,000 people, and including the construction program in that it would be an average figure of about 70,000 in addition.

Mr. WALLER. That is under program 8,000, Mr. Thomas.

Mr. THOMAS. Which one is that?

Mr. WALLER. Program administration and direction for the 7,500. In 1953 the total of all other objects is $3,345,000 for travel and all other objects, that is, 03 through 15——

Mr. THOMAS. Let us break that down. For "Transportation of things" it is how much?

Mr. WALLER. $238,650; for "Communication services, 04," it is $1,123,350; "Rents and utility services, 05," $386,257, and for "Printing and reproduction, 06," it is $399,920.

Mr. THOMAS. At this point in the record we will insert page 526, which seems to check with the figures you have given us other than travel.

(The matter referred to is as follows:)

Detailed justification of operating costs

Object class	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions	4,947	5,203	5,332
Full-time equivalent of all other positions	24.6	30.7	31.7
Average number of all employees	3,764.6	4,436.4	5,055.6
01 Personal services:			
Permanent positions	$17,658,797	$23,464,327	$27,028,310
Part-time and temporary positions	192,037	237,230	240,340
Regular pay in excess of 52-week base		90,247	103,954
Payment above basic rate	322,171	356,852	342,682
Payment to other agencies for reimbursable details	3,000	13,751	7,400
Total personal services	18,176,005	24,162,407	27,722,686
02 Travel	1,284,662	1,834,894	1,965,904
Other:			
03 Transportation of things	159,338	348,900	238,650
04 Communication services	813,721	1,027,617	1,123,350
05 Rents and utilities	297,670	363,495	386,257
06 Printing and reproduction	280,841	411,403	399,920
07 Other contractual services	2,013,628	2,270,225	2,555,546
Services performed by other agencies	26,244	70,711	62,894
08 Supplies and materials	736,667	786,703	827,897
13 Refunds, awards and indemnities	1,111	10,500	10,500
15 Taxes and assessments	10,951	80,119	106,396
Total other	4,340,171	5,369,673	5,711,410
Total operating costs	23,800,838	31,366,974	35,400,000

TRAVEL

Mr. THOMAS. The figure you set out for travel on page 526 is $1,965,000, and you gave us the figure of $3,345,000; did you not?

Mr. WALLER. Added to your $1,965,000 is $1,380,000 for people charged to other programs; that is, guards, couriers on weapons programs, and exploration people on the geological program. In other words, the total for all AEC employee travel.

Mr. THOMAS. What is your total figure for your guards and couriers?

Mr. WALLER. For their travel?

Mr. THOMAS. Yes, in guarding your secrets, materials, and so forth?

Mr. WALLER. These include geologists, and so forth, who are exploring for minerals.

Mr. THOMAS. I want your guards and your travel costs of the people who are actually guarding in transit your various types of materials.

Mr. WALLER. That total figure is $1,380,023 for the personnel charged to programs other than 8,000.

Mr. THOMAS. And that will leave you roughly $2 million for your other employee travel?

Mr. WALLER. That is correct.

OTHER OBJECTS—CONTRACTOR EMPLOYEES

Mr. THOMAS. What are those figures for your 62,000 contractor employees?

Mr. MCCARTHY. I do not have the figure on that for the various contractor employees, Mr. Chairman.

Mr. THOMAS. Well, you are paying the bill, are you not?

Mr. MCCARTHY. We would have to get that from each of the various contractors.

Mr. THOMAS. For each one of these various contractors on each one of these items you are paying the bills such as for travel, transportation of things, communication services, rents and utilities, printing and reproduction, and so forth.

Mr. MCCARTHY. Yes, sir; that is correct.

Mr. THOMAS. Do you have any idea what amount that will run up to?

Mr. MCCARTHY. No, sir; not by object classes.

PRINTING AND REPRODUCTION

Mr. THOMAS. Why is your "Printing and reproduction" bill $399,920 for your 7,500 employees? What does that break down to? Your justification is quite limited on it.

Mr. WALLER. There is a breakdown of that in the budget.

Mr. THOMAS. You say, "To provide for forms printed by the Government Field Printing Office at Denver, Colo., $36,000."

Mr. WALLER. It is broken down in each budget authorization for each office. I can go through those and total them if you would like to have me do so.

Mr. THOMAS. How much of it is for printing, inclusive of information which you circulate?

Mr. WALLER. I do not have it broken down that way, Mr. Thomas.

Mr. THOMAS. Can you give us an approximate figure?

Mr. WALLER. I will in just a moment.

I would like to have in the record that I am figuring approximately. I am picking out of our "Printing and binding" costs the dollars expended at Oak Ridge, which are primarily in the technical field. That gives us a total in our 1953 budget of about $350,000 for printing such matter as forms and letterheads, reports to Congress, special reports, and for duplication services on administrative matters.

Mr. BOYER. From what area?

Mr. WALLER. It is analyzed as "06 Costs." I can give you the costs by area. I do not have it broken down for classified material.

Mr. BOYER. Would you repeat the number again?

Mr. WALLER. We have a total in 06, Program 8,000—06 is Printing and binding—for 1953 of $39,920.

COST OF COSTRUCTION PROGRAM FOR SAVANNAH RIVER PROJECT

Mr. THOMAS. On your construction program, general, of the $435,500,000, $284,000,000 of it goes to the Savannah River project. This $284,000,000 will not complete the construction of the Savannah River project; will it?

Mr. DEAN. No, it will not, Mr. Thomas.

Mr. THOMAS. How much more money will it take over and above this $284,000,000, over and above what has been heretofore appropriated to finish it dollarwise?

Mr. BOYER. I might answer that it has been stated that the design now is about 40 percent complete. We have asked the prime contractor to prepare a revised estimate which is brought up to date. He is now working on that. That estimate will be presented to the Commission just as soon as it is completed.

Mr. THOMAS. What has been appropriated heretofore?

Mr. BOYER. $896 million.

Mr. THOMAS. $896 million, plus this $284 million, plus what you asked for at the last hearing we had. Your best guess is $1,100,000,000 as the total cost against your former estimate of $600 million. This ought to finish it, should it not? That is $100,000,000 surplus. You will have around $1,200,000,000, and you are only going to need $1,100,000,000.

Mr. BOYER. I would like to repeat that the $600 million was not an estimate. It was an approximation which was used for the purpose of requesting funds to start the program. It was not an estimate. The engineering estimate is an estimate of the cost from the actual design of a facility. No design was available at the time the original $600 million figure was made, and, consequently, it cannot be described as an estimate.

OTHER OBJECT COSTS

Mr. THOMAS. What about your other objects here on page 526. This looks like $5,700,000, but when I add them up they are nearer $8,000,000.

Mr. MCCARTHY. On what page is that, sir?

Mr. THOMAS. Page 526. It looks to me like it is about $8 million against a total personnel cost of roughly $28 million, which means that your other objects are just about 50 percent too much. You certainly ought to hold them down to 12 or 13 percent.

Mr. WALLER. Page 536.

Mr. THOMAS. If you can pick out a better table than that it is all right.

Mr. WALLER. That is program direction and administration which does not include all direct AEC employees. There are approximately 2,000 more people charged to other programs, making up your 7,500 total.

Mr. THOMAS. You are adding more wood to the fire then. What are your other objects set out for this part of your 7,500 people here then, they are around $8 million; are they not?

Mr. WALLER. This $5,711,000 on page 526, as I say does include travel.

Mr. THOMAS. No; it does not include travel.

Mr. WALLER. Excluding travel, pardon me, Mr. Chairman.

Mr. THOMAS. You are excluding a little matter of $2 million.

Mr. WALLER. That goes with salaries for 5,332 permanent positions at the top of that page.

Mr. THOMAS. Is there anything wrong with my statement that you have other objects in the amount of approximately $8 million charged against salaries of $28 million? Is that correct?

Mr. WALLER. That statement is correct.

Mr. THOMAS. You are certainly out of line there with a personal service charge of $28 million against other objects of $8 million.

Mr. WALLER. I think that one would have to examine the details of these other objects in order to know whether they are justified.

Mr. THOMAS. We have examined some of them pretty well here.

COMMUNICATION SERVICES

Mr. PHILLIPS. Look at 04.

Mr. WALLER. That is communication services for the entire Commission, $1,123,350. That includes a network of telephone and telegraphic communications.

Mr. THOMAS. It does not make any difference what it includes here. It runs up to about 30 percent of your personnel cost, and that is easily 50 percent too much.

HYDROGEN-BOMB DEVELOPMENT

How are you getting along with your hydrogen-bomb development?

Mr. DEAN. Off the record.

(Discussion off the record.)

REIMBURSEMENTS FROM OTHER AGENCIES

Mr. THOMAS. How much money will you receive in 1952 and 1953 for services performed by you for other agencies, and how much money have you spent in those 2 years or will you spend in those 2 years for services performed for you by other agencies?

Mr. MCCARTHY. The reimbursements received by the Commission are estimated at $1.2 million in 1952 and the same amount for 1953.

Mr. THOMAS. Where are you spending that now? I know you are spending some at the Bureau of Standards and the Department of Agriculture and so forth.

Mr. MCCARTHY. For our reimbursements to other agencies for work performed by them, we have working fund advances to other agencies roughly of $3 million—no; that is the working fund advances received.

Mr. THOMAS. That does not include the $63 million you are getting from the armed services on the Army program?

Mr. MCCARTHY. No, sir. That is in addition.

Mr. THOMAS. So that it is around $64 million or $65 million that you are getting in the way of reimbursement?

Mr. MCCARTHY. We consider that as a working fund advance to us, and we treat it differently than a reimbursement. But that is around $62 million of working fund advances.

REIMBURSEMENTS TO OTHER AGENCIES

Mr. THOMAS. To whom do you pay out funds for services performed for you besides the Bureau of Standards, and how much?

Mr. MCCARTHY. Our estimate in 1953 includes roughly $7 million for exploration activities to the United States Geological Survey for work throughout the United States and Alaska on raw materials. We also include in that the amount of construction for the storage which is undertaken by the Corps of Engineers, which we also pay out to

them. In addition, the Corps of Engineers have the acquisition of land in Savannah River, and we have included in here a balance of $1,540,000 as an estimated working fund in 1953. In 1952 it was $12,225,000.

Then we pay out to the Department of the Army for maintenance and utility services at the Dana site $6,800 estimated in 1953.

The Bureau of Mines for monazite studies is $405,000, estimated, for fiscal 1953.

Our total estimated working fund advances to other agencies amounts to $47 million, estimated, in 1953.

DEFERRING SOME CONSTRUCTION PROJECTS

Mr. THOMAS. Your construction program of roughly $234.4 million plus, is going for one location, which leaves you about $200 million split up into some 75 or 80 projects. Cannot at least 50 percent of those projects be deferred to some indefinite time in the future without hurting your program?

Mr. DEAN. I do not see how. The difficulty with this thing is that each one ties into the others.

Mr. THOMAS. Take the school program. I do not know a community in this whole United States that is not in bad need of school houses and additions to school houses, and you just built two buildings out at Hanford and you had an overrun there of 25 or 30 percent. Now you are coming back for more school money out there. Do you not get a little money out of this program set up over here in the Federal Security Agency for the construction of school buildings around national defense centers?

Mr. TOWNE. If you are referring to Public Law 815 which provides for Federal aid to defense impacted school districts, that law was set up originally to except the Atomic Energy Commission where schools were on project sites. There were various reasons why the committee that reported out that bill felt this exception should be put in. This request for school facilities for a maximum of $875,000 for the fiscal year 1953 is justified on the basis that there will be 300 additional building units come into use at the beginning of that fiscal year.

Mr. THOMAS. Every community in the United States is faced with that same condition—your town, the District of Columbia, and any town in the United States. Why should these Government towns be any better off than any other town?

Mr. TOWNE. I do not think they are being any better off. Our classroom loads are running as heavy at Richmond as they are in most parts of the country.

FELLOWSHIP COSTS

Mr. THOMAS. Dr. Warren, in your biological program, how much money are you applying to scholarships? I see you are going to discontinue scholarships and more or less blend that in with the National Science Foundation. Roughly, how many dollars are you spending for the fellowship program, and how many dollars are you spending on your research program with universities, colleges, and private institutions, separate from and above what you spend in your own laboratories?

Dr. WARREN. In special training, we show on page 424 the types of awards which are spelled out for 1953.

Mr. THOMAS. Give us the dollars.

Dr. WARREN. The over-all dollars for this are $396,050, of which a few thousand dollars are for the completion of the medical program and the predoctoral biological, and $130,000 is for the radiological physics.

Mr. THOMAS. We will put in the record the table at the bottom of page 424.

(The matter above referred to is as follows:)

Numbers of fellow awards and fellow years on which fellowship costs are based

Type of award	1951 actual			1952 estimate			1953 estimate		
	Fellow awards	Fellow years	Amount	Fellow awards	Fellow years	Amount	Fellow awards	Fellow years	Amount
Postdoctoral:									
Medical	24	28	$112,480	16	22	$88,000	5	5	$22,050
Biological	22	4	15,891	19	18	64,360	5	5	17,750
Predoctoral, biological	157	92	265,061	93	69	174,290	50	61	172,400
Radiological physics	40	29	98,876	60	51	130,000	60	50	130,500
Postdoctoral, industrial medicine				8	8	53,350	8	8	53,350
Total	243	153	492,308	196	168	510,000	128	128	396,050

Mr. THOMAS. That does not break down the dollar and cents value of the postdoctoral scholarships per year. What does it run—around $4,100 a year?

Dr. WARREN. I do not recall exactly, but it is on that order.

Mr. THOMAS. The postdoctoral in biology will run about $3,600?

Dr. WARREN. About $3,600.

RESEARCH CONTRACT COSTS

Mr. THOMAS. What is the total dollars and cents you are spending with universities, colleges, and private research institutions?

Dr. WARREN. In universities, taking all branches of our activity, that is approximately $6 million.

Mr. THOMAS. And covers how many contracts?

Dr. WARREN. It covers about 300 contracts.

AUTOMOBILES

Mr. PHILLIPS. I will ask a customary question. How many automobiles do you have?

Mr. DEAN. We are asking for 450, 327 of which are for replacements.

Mr. PHILLIPS. The book here shows 215 are replacements. Have you changed that figure?

Mr. TAYLOR. We are asking for 450, 327 of which are for replacements and 123 are new vehicles.

Mr. PHILLIPS. That will make a total of how many?

Mr. TAYLOR. 2,223 old vehicles will be in there at the end of fiscal 1953, and 123 new ones will be added.

Mr. PHILLIPS. How many of those automobiles are in the Washington area?

Mr. TAYLOR. There are 13 of them.

Mr. PHILLIPS. How many of those are assigned for the use of individuals?

Mr. DEAN. None of them.

Mr. PHILLIPS. Have you added any more to the Washington area within the past year, since you were here before?

Mr. DEAN. No; we have not, Mr. Phillips.

Mr. PHILLIPS. I ask that because I observe quite an increase as I come downtown in some of the cars standing around in front of the agencies, and I also notice agencies with cars that very obviously did not have them a year ago.

Mr. DEAN. We have held the use of cars for our personnel really to the minimum. The most of our personnel, including the commissioners, ride in taxis or drive their own cars. You won't find any Cadillacs in our shop, and I do not think you will find any abuse in the use of our cars.

Mr. GLENNAN. It might be important to point out the dispersion of the Commission personnel in three different parts of the city, which makes more important the situation of interbuilding transportation; so that we have more taxi service than automobiles.

Mr. PHILLIPS. This committee has no objection to your riding in taxicabs. Did you think we had?

Mr. GLENNAN. No; I did not suppose you had.

Mr. PHILLIPS. We think that is a good example to set for some of the other agencies, and we are calling their attention to it.

HOUSING ACCOMMODATIONS FOR CONSTRUCTION WORKERS

You have built a certain number of houses at either Savannah or Paducah for the use of the men who are working there, particularly the contractor's men. Is it at Savannah or Paducah?

Mr. BOYER. We have built no houses at either location, Mr. Phillips.

Mr. PHILLIPS. But houses were built?

Mr. BOYER. Houses were built.

Mr. PHILLIPS. By whom?

Mr. TOWNE. At the Savannah River project we have contracted with private investors for the production of housing accommodations for construction workers.

Mr. PHILLIPS. Are those completed?

Mr. TOWNE. They are just being started. There are two kinds of accommodations. There are dormitories for 7,500 single men and trailer coach accommodations for 4,000 families.

The contract arrangements that we have worked out to secure the use of these housing units for a temporary period is unique and without precedent, as far as we know. In substance, in order to induce private investors to put this housing on their own property and with their own funds, we contracted to guarantee the payment of all rents in the case of the dormitories during a 2-year period with the right to extend the contract to a 3-year period, and in the case of the trailer coaches we guaranteed payment of rentals of 90 percent of the trailer coaches during a 4-year period.

Mr. PHILLIPS. Beginning when—as soon as the houses are finished?

Mr. TOWNE. As soon as the unit is ready for occupancy. Now, so long as an occupant is in the dwelling, he pays the rent. We guarantee the operator, the owner of the property, that the rent will be

paid. In the event there is a vacancy we are committed to pay the rent on that vacancy until we certify a person to live in it and the person moves in. Then he pays the rent.

DORMITORIES

Mr. PHILLIPS. Let me repeat to you a statement which was made to me on very good authority. The source of the statement is a person who should know what he is talking about. He said at one of those places—and I do not know which—houses were built for the use of employees of the contractor and when they were finished the union refused to permit the workmen to live in them because the builder of the houses had paid a 25-cent lower scale than the union thought he should have paid. Will you explain that?

Mr. TOWNE. Yes. That is probably the Savannah River project, and it relates to the dormitories that are being built by the private investor whom I referred to. This private investor, who is putting his own money into the investment—not Government money—elected to build his dormitories with nonunion labor. This has caused some tension between the union organizations in the area and the owner of the dormitories. The labor unions, of course, object to the use of nonunion labor in the construction of those dormitories and union members are attempting to boycott the enterprise by refusing to move into the dormitories when our prime contractor, du Pont, certifies an individual employee as being eligible to occupy them. We control the occupancy of the dormitories by an arrangement with the owners.

Mr. PHILLIPS. Do you mean the dormitories are actually unoccupied at the present time and they should be occupied?

Mr. TOWNE. There is a 1,500-unit dormitory project just outside of Barnwell. On January 14, 1952, the dormitories were opened for occupancy. On February 6, 1952, there were 162 occupants. Part of this is possibly due to the reluctance of union labor to move into the dormitories, but part of it is not. Du Pont is not certifying people to live in the dormitories on an all-out basis, but is holding out some vacancies, on which it pays the rent, in order to absorb the crafts that they expect to be recruiting very shortly, and they want to have the space available for them when they need to get them in.

This is a device which we believe is very effective, not only at Savannah River but also at other projects, where we sew up vacant space in order to have it ready for recruitment when we need it.

Mr. PHILLIPS. I do not know what this subcommittee could do, if anything, about a situation like that, Mr. Chairman, but it seems to me extremely peculiar that we should appropriate millions of dollars on the basis of an emergency, together with the high costs that go with an emergency, to get quick action, and then have a union refuse to occupy a building that is available because there may be a differential in the wage rates or there may have been nonunion employees used as against union employees. I suppose at the moment the only thing we can do is to recognize such a situation exists and make it known.

Is the Commission doing anything to try to correct this situation?

Mr. DEAN. This has come about so recently that we have not tackled it, at least as a Commission. I think it should be pointed out that we are in a period right now, so far as appropriating money for housing is concerned and so far as accommodating the crafts as they become

available is concerned, where in the next 4 or 5 months construction down at Savannah River will just about double. We have approximately 24,000 people working there now, and it will be in the neighborhood of 45,000 in September.

Mr. PHILLIPS. You see my point?

Mr. DEAN. I see your point.

Mr. PHILLIPS. You are asking for money on the basis of a great deal higher cost than you would ask for if you were not in what you consider an emergency and in a rush. And one of the comments of this investigator of the plants in the Kentucky area and the Savannah River area had to do with the strain upon men driving great distances to come to work, and the lowered efficiency of the men and the lesser amount of work you were getting out of them. Yet here in what we consider to be an emergency, dormitory buildings are built and are not occupied. So why should we give you money to build these things in a hurry? Why do not we take off 25 or 30 percent of your construction cost, if there is not any emergency about it, and let you build them at a much slower rate?

Mr. TOWNE. There are two points I think perhaps I did not make clear. We are not financing the construction of these dormitories. They are being financed by a private investor who is putting his own money into them. We, therefore, are not requesting funds for the construction of those dormitories.

Mr. PHILLIPS. But you are requesting funds for the construction of laboratories and other plants, of which dormitories for the men are a part of the picture. Do you mean to say to this committee that eventually the cost of these dormitories, like everything else, won't appear in the taxpayers' bill?

Mr. TOWNE. I am inferring that the Government's position in this instance is very much more favorable than it is in the usual case because of the unusual nature of the contract. We are committed to pay rent only on the vacancies for a temporary period. It is true, if we should face a situation where the dormitories that we are guaranteeing the rent on remain unoccupied for the full period of the contract, which is 2 years, we in effect would have paid for a resource that is not being used, and the taxpayers would suffer. But that is entirely unlikely for two reasons. In the first place, due to the tremendous increase in employment that we anticipate very shortly, it seems beyond reason to assume that organized labor can continue to boycott the occupancy of these dormitories effectively. At the moment they can get away with it, because the surounding towns can absorb some additional people in vacant rooms.

Mr. PHILLIPS. Approximately how far away are the surrounding towns?

Mr. TOWNE. Some of them are about the same distance as the dormitories. Barnwell, for example, is an existing town, and the dormitory development referred to is in that town or on the edge of it. And Aiken is about the same distance away, approximately.

Mr. PHILLIPS. How far is it?

Mr. DEAN. Barnwell is 12 miles from the site, and Augusta, which now supplies a good many of the workers, is 22 miles.

Mr. PHILLIPS. That is not the place the investigators report pointed out, evidently, but some other place. But I think there is a point

there to think about, that here we are appropriating money on the basis of having a great emergency, and then we have the dormitories remaining unoccupied because of some labor argument.

Mr. NELSON. I think perhaps I should add that I have recently cut back that 7,500 dormitories to about 4,500 temporarily and have arranged for the developer not to go ahead with the balance until we are sure we will need them.

Mr. PHILLIPS. Your solution is to cut down the number of available houses for the men?

Mr. NELSON. We are waiting. There is no use building too far in advance, and we are waiting until we are sure the need is there, and then we will go ahead. We will probably need the 7,500 eventually.

RUSSIAN PRODUCTION

Mr. PHILLIPS. Now I would like to ask you, Mr. Dean, a question which you partially answered but did not complete yesterday or the day before, to which the answer was off the record.

How reliable do you consider the information that you get regarding production in Russia? You partially answered that but did not complete it. How can we depend or have any feeling of dependence as to the information that you get regarding the production in Russia?

(Discussion off the record.)

PAY ACT COSTS

Mr. PHILLIPS. Do you have a supplemental request in the hopper to come up on the Hill for the pay raise?

Mr. MCCARTHY. We do not have a supplemental asking for additional funds. We do have a request in the pay increase supplemental for an increase in our personal services dollar ceiling, but we are absorbing the money cost.

REQUEST FOR ADDITIONAL FUNDS

Mr. PHILLIPS. Do you contemplate another request to this committee for general expenses for your regular budget? Are you increasing any program, particularly in the near future?

Mr. DEAN. For 1952 or 1953?

Mr. PHILLIPS. I meant for 1953. Do you have one for 1952?

Mr. DEAN. It will be necessary if the expansion program which was announced by the President the other day as one which he would submit to the Congress is approved. If that is approved, there will be some impact in 1953 from that. We have not allowed for any of that in this current budget.

Mr. PHILLIPS. When would you know; when will you be back here for more money?

Mr. DEAN. We have not received any clear-cut directive as yet from the President to the Commission telling us to go forward with such a program. I would think we would receive that shortly and would be in the Bureau of the Budget within a matter of weeks and possibly up to Congress within a matter of 2 months.

Mr. BOYER. We would be up in less time than that.

AEC TOTAL APPROPRIATIONS

Mr. PHILLIPS. Do you know how much money your Atomic Energy Commission has already gotten from the Congress of the United States?

Mr. DEAN. The total I do not have handy.

Mr. PHILLIPS. You have already received $5,742,721,520, and you are asking for the difference between that and $7,054,721,519 or $1,312,000,000. That seems like a good deal of money.

Mr. DEAN. That admittedly is a lot of money.

Mr. ANDREWS. Did that include the Manhattan project?

Mr. PHILLIPS. It includes what they got from the Manhattan project but not what was spent by Manhattan before they became an agency.

Mr. DEAN. Which was approximately $2 billion.

Mr. PHILLIPS. It includes $604,900,000. How much was spent by Manhattan before the Commission was created?

Mr. MCCARTHY. About $2.2 billion.

Mr. THOMAS. Add the sum for the care of troops in there, and it would be nearer $3.5 billion.

HOUSE COMMITTEE STAFF REPORT

Mr. PHILLIPS. From the wording of the investigator's report, it indicates you have seen it; at least, your local managers have seen their recommendations and are attempting to put some of them into effect.

Mr. DEAN. Is this a House Appropriations Committee staff report?

Mr. PHILLIPS. Yes.

Mr. DEAN. We have not seen that.

Mr. PHILLIPS. It indicates here that you are attempting to put some of their recommendations into effect.

Mr. DEAN. We have not seen that report. The only one we have seen is the one of Admiral Cotter to Senator Maybank's committee.

Mr. PHILLIPS. Evidently your local managers talked it over with the investigator, and several of the suggestions which now appear in the report are known to your people and have generally been approved.

Mr. NELSON. No, sir. We did everything we could to help the investigators and make it convenient for them to investigate, but we know nothing about what they reported.

Mr. PHILLIPS. I defer, then, to the chairman as to what he wants to do with the report, but I would say it indicated that one contractor did not deserve quite so high a commendation as you gave him yesterday in your testimony.

Mr. DEAN. We would be very anxious to see the report, Mr. Phillips, and find out wherein we are to be criticized.

Mr. PHILLIPS. There is nothing too serious about it. It is just the carelessness, in my mind, which comes with the expenditure of a great amount of money to be spent in a short time and to be spent under pressure; but there are places where just ordinary business procedures and watchfulness on smaller amounts of money would save us something.

Mr. CHAIRMAN. I think that about covers all of the general questions I had, without just taking the budget and going down item by item, and that I will not do.

Mr. COTTON. There is one question I want to ask, and that has to do with the report of the staff investigator.

Referring to some publicity that has taken place in which it has been alleged by various people who have visited the Savannah River project that there was widespread loafing on the job, it was apparently pointed out by somebody in charge of the job that what might appear to be loafing to a casual observer was, in fact, not loafing. Several reasons were given for that, and the first reason, which by its chronological position seemed to be the No. 1, was the statement that there are a number of lump-sum and unit-price contractors engaged on this project and loafing on the part of an employee of a concern that is operating on a lump-sum basis would not result in any increased cost to the United States but only in a lesser profit to the contractor. Now, that is not entirely true; is it?

Mr. DEAN. Well, if it is a lump-sum, it is going to be paid by the taxpayer, and if he has a lot of loafing, he is going to get less of a profit. That is certainly true. I do not think it is a very good argument, however.

Mr. COTTON. May I suggest this? If I am a lump-sum contractor and I have contracted to do something on your project for a fixed amount and my employees, are loafing on the job, one thing that is likely to happen is that when I come in for my next contract, based on what my previous one cost me, I am going to have to have a higher price. So eventually that loafing is going to have some impact on the Treasury.

Secondly, is not there a system whereby, when the lump-sum contractor on these urgent matters finds himself running behind and in some difficulty and he cannot complete his contract, a readjustment is made of the contracts?

Mr. DEAN. On many of those it means he has to go into overtime.

Mr. COTTON. And if there were fairly widespread loafing on the part of the employees of the lump-sum contractor, it would also have some impact on the morale of the rest of the workers, ordinarily; would it not?

Mr. DEAN. I could not question that for a moment.

Mr. COTTON. So that the staff investigator who advanced that as an important point was somewhat in error. Would not you say so?

Mr. DEAN. I do not think it is a good justification for loafing; no, sir.

CONTRACT ADJUSTMENT

Mr. BOYER. I would like to be sure the record is clear on this question of adjustment. We do not adjust lump-sum contracts where, due to the incompetence of the operators, their costs go up. In fact, I can think of only one instance where there was any adjustment, and that was because of confusion in the bid, and the price was still lower than the bid.

Mr. DEAN. The adjustment which I was talking about was an adjustment which the contractor himself would have to make in order to catch up with the job.

Mr. BOYER. His competitor will take care of that the next time they have to bid on these jobs.

Mr. COTTON. You do not have that situation in this work, which is so imperative and which the prompt completion of is also imperative,

where the contractor comes in and says he cannot complete; he says he is not getting enough and he has to have some readjustment? That does not happen?

Mr. DEAN. No.

Mr. COTTON. I am not attributing that statement to you. It is a statement which our own investigator picked out, and it is hardly a sound expression; is it?

CONTRACTORS

Mr. COOK. In the case of every lump-sum contractor who allows loafing on his job, it means added cost to the contractor and less profit to the contractor. As far as it might mean additional cost at a later time, if the lump-sum contractor is a poor manager, then he is not the next time the low bidder and is not awarded the work. So it does not result in increased cost of the job.

Mr. COTTON. Well, if it is a fairly widespread practice among those working for lump-sum contractors, if it is not just an isolated instance, it means, if the contractors are at least getting their money back and keeping in business, that they are not giving the Government the lowest possible bid. Is it not a fact that any widespread general inefficiency on the part of lump-sum contractors is eventually going to be felt by the Government?

Mr. COOK. Eventually he will go broke or go out of business, because he is not able to compete with people who manage their contract work properly.

Mr. COTTON. My experience has been that when contractors are bidding they are pretty shrewd in underbidding each other by a small margin. And if it is the custom to be a little lavish and careless in performing contracts while prices are up fairly high and they are getting a good margin of profit, you cannot depend on a competitor to go down to the lowest price, but you are generally on a higher price level. It may not be so in such a vast project as you have, with all of the supervision you have, but it certainly is so many times in private fields. I still think that is a sound statement.

That is all, Mr. Chairman.

FEES

Mr. GORE. Mr. Dean, the committee is quite disturbed about your system of paying fees, and we will want to look very carefully into that before acting upon the budget. I would like for you to supply for the record a table, for which I will suggest a form. It may be that you can work out a more suitable form of reporting, but I have listed here about five columns.

(1) Name and location of contractor;

(2) Brief digest of contract, including description of functions performed, termination date, and nature of cancellation clause, or conditions;

(3) Date of initial contract with key contractor;

(4) Amount of fee paid to contractor for similar work or other work in fiscal years 1950 and 1951; and

(5) Estimated dollar payment for 1952 and estimated dollar payment for 1953.

Mr. DEAN. Is this with reference to operating contracts or construction contracts? They are quite different.

Mr. GORE. All fee contracts—all contracts for which you pay a fee beyond reimbursement of expenses.

Mr. PHILLIPS. Is that for operation and maintenance as well as research?

Mr. GORE. All fee contracts. I want to know what this fee business is running to.

Mr. PHILLIPS. Does Mr. Gore want all research contracts, too?

Mr. GORE. I want all fee contracts.

Mr. PHILLIPS. May I ask how much are you paying now for management at Oak Ridge, which was one of our previous discussions?

Mr. GORE. There is no fee paid there now.

Mr. PHILLIPS. How about the managers—no fee?

Mr. GORE. No fee; that is right.

Mr. MCCARTHY. The estimated dollar payments for the cost of work to be performed by the contractor in 1952 and 1953?

Mr. GORE. There were two columns, one for 1952 and the other for 1953.

Mr. MCCARTHY. And the estimated total payment for the work to be performed?

Mr. GORE. Yes.

Mr. PHILLIPS. I take for granted what Mr. Gore wants is some basis for determining what the total cost is to which the fee applies, and you would have to indicate whether the fee applies to the whole contract or is an annual fee.

Mr. GORE. One of the things I want to know is the acceleration of the fee and the amount of the fee. It may well be, as I said in the very beginning, that in the compilation of this digested form of information you can find variations in the form of the report. If it facilitates it, you are at liberty to do that; but you see the basic information I want.

Mr. DEAN. I see the basic information you want, and we will get that to you. Essentially in (4) and (5) what you are after is a revelation of any acceleration of fees from 1951 to 1952 and 1953?

Mr. GORE. That is right. We may need to have another hearing on this subject.

(The information is as follows:)

UNITED STATES ATOMIC ENERGY COMMISSION—COST-PLUS-FIXED-FEE PRIME CONTRACTS

NOTE

1. The cost-plus-fixed-fee (CPFF) contracts covered in the following tabulations are grouped for convenience, in accordance with predominant activity, as: (*a*) construction, (*b*) architect-engineer, (*c*) operating, and (*d*) research and development. In several instances, of course, a contract covers more than one class of work.

2. Only CPFF prime contracts, active as of July 1, 1951, and subsequent awards made through January 31, 1951, are included. In a few instances, however, contracts are shown which were formerly subcontracts and have been converted to prime contracts during this period, or, conversely, were negotiated as prime contracts and have been converted to subcontracts.

3. Included in this tabulation of CPFF contracts are cost-reimbursement contracts which include a nominal fee ($1), as in the case of contracts with General Electric and du Pont. Cost-type contracts which provide no fee in the contract have been excluded. Also excluded are unit-cost contracts having price redetermination provisions.

4. In the tables of construction and architect-engineer contracts the estimated cost of the construction used as a basis for determining the amount of fee is

shown. This estimate in most cases will differ from the final cost of the completed work, but no adjustments in the fee are made because of changes in the cost estimate.

5. The amount or rate of fee provided under one contract will generally not be comparable with fees under other contracts, chiefly because of differences in the work to be performed and the basis of fee computation. For construction and architect-engineer contracts the rates of fees provided are not comparable as a result of differing degrees of complexity and scope of work, the amount of subcontracting, and the amount of procurement services performed. For construction contracts the fee in virtually all cases includes the contractor's general and administrative expenses. It should be noted that the amount of fee shown for each construction and architect-engineer contract was determined in accordance with the provisions of the Atomic Energy Commission Contract Manual (construction).

6. The column "Overhead allowance" in the operating and research and development tabulations is included to show the general and administrative expenses allowed under the contract and not included as directly reimbursable costs under the terms of the contract. In a number of instances, where overhead is not shown separately, the expenses of the home office properly assignable to the contract are included in the fee. Because of differences in accounting practice, and in the share of home office services allocable to a particular contract, the amounts and rates of overhead allowance shown are not comparable as between contracts.

Cost-plus-fixed-fee prime contracts (active July 1, 1951, or later)

Name	Number	Page
American Cyanamid Co	AT(10-1)-177	21
American Industrial Transport, Inc	AT(40-1)-1044	17
Armour Research Foundation, the	AT(11-1)-149	27
Atkinson, Guy F. Co. & Jones, J. A. Construction Co	AT(45-1)-475	1
The Austin Co	AT(29-1)-1104	6
Do	AT(40-1)-Gen-247	9
Michael Baker, Inc	AT(40-1)-114	
Battelle Memorial Institute	W-7405-Eng-92	26
Do	AT(30-1)-Gen-228	24
Do	AT(30-1)-771	29
Bechtel Corp	AT(10-1)-120	5
Bendix Aviation Corp	AT(29-1)-613	19
Blaw-Knox Construction Co	AT(10-1)-2	13
Do	AT(30-1)-1065	24
Blockson Chemical Co	AT(49-1)-611	15
Brush Beryllium Co	AT(30-1)-510	16
California Research & Development Co	AT(11-1)-74	5, 17
Catalytic Construction Co	AT(30-1)-1060	14
Corning Glass Works	AT(11-1)-Gen-13	26
Dow Chemical Co	AT(39-1)-1106	19
E. I. Du Pont de Nemours & Co	AT(07-2)-1	18
Edgerton, Germeshausen, & Grier, Inc	AT(29-1)-1183	
Elgin National Watch Co	AT(11-1)-126	27
H. K. Ferguson Co., the	AT(30-1)-1075	30
Fluor Corp. Ltd., the	AT(10-1)-30	4
Foster-Wheeler Corp	AT(10-1)-55	13
George A. Fuller Co	AT(30-1)-1145	3
Galigher Co., the	AT(06-1)-53	15
General Electric Co	AT(11-1)-171	27
Do	W-31-109-Eng-52	18
Giffels & Vallet, Inc	AT(15-1)-10	11
Do	AT(40-1)-Gen-253	10
Girdler Corp., The	AT(07)-2-1	1
Graham, Crowley & Associates, Inc	AT(11-1)-173	28
Haddock-Engineers, Ltd	AT(29-2)-65	8
Do	AT(29-1)-1230	8
Harding-Williams	AT(10-1)-376	21
Holmes & Marver, Inc	AT(29-2)-20	7
Do	AT(29-1)-507	7
Do	AT(29-1)-1107	14
Little, Arthur D., Inc	AT(30-1)-1013	30
Lost Rivers Transportation Co	AT(10-1)-308	21
Silas Mason Co	AT(29-2)-23	14
Do	AT(29-1)-1080	6
Do	W-49-010-ORD-68	19
Maxon Construction Co., Inc	AT(40-1)-255	2
McGraw, F. A. & Co	AT(15-1)-2	3
The Merrill Co	AT(49-1)-540	23
Monsanto Chemical Co	AT(33-1)-Gen-53	17
National Industrial Maintenance Corp	AT(10-1)-406	21
National Lead Co. of Ohio	AT(30-1)-1156	16

Cost-plus-fixed-fee prime contracts (active July 1, 1951, or later)—Continued

Name	Number	Page
The Nevada Co	AT(29-2)-69	20
New England Lime Co	AT(30-1)-561	24
North American Aviation, Inc	AT(11-1)-Gen-8	26
Do	AT(40-1)-1064	31
Nuclear Development Associates, Inc	AT(30-1)-862	30
Phillips Petroleum Co	AT(10-1)-205	21
Proctor & Gamble Defense Corp	DA-49-010-ORD-4	19
Radio Corp. of America	AT(11-1)-143	24
Rand Corp	AT(11-1)-135	28
Reynolds Electrical & Engineering Co	AT(29-2)-68	8
Rust Engineering Co., The	AT(40-1)-1303	2
Sargent & Lundy	AT(40-1)-258	11
Singmaster & Breyer	AT(40-1)-1071	13
Do	AT(30-1)-1126	4
Smith, Hinchman & Grylls, Inc	AT(15-1)-1	11
Sonic Research Corp	AT(49-1)-539	23
Stanford Research Institute	AT(11-1)-110	27
Stearns-Rogers Manufacturing Co	AT(29-1)-1127	6
Sylvania Electric Products, Inc	AT(30-1)-Gen-366	24
Union Carbide & Carbon Corp	AT(30-1)-Gen-165	16
Do	W-7405-Eng-14	16
Do	W-7405-Eng-26	17
United Lead Co	AT(30-1)-1041	16
Vitro Corp. of America	AT(40-1)-1329	12
Do	AT(30-1)-850	30
Do	AT(30-1)-848	24
Walker-Lybarger Construction Co	AT(49-1)-160	15
Western Equipment Co	AT(10-1)-113	21
Westinghouse Electric Corp	AT(11-1)-Gen-14	22
Wigton-Abbott Corp	AT(30-1)-666	4
The Zia Co	W-17-028-Eng-90	20
Roane-Anderson Co	W-7401-Eng-115	17a

Cost-plus-a-fixed-fee construction contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			HANFORD, WASH.						
	Hanford operations (G–133). By modification No. 45 this contract was assigned by General Electric Co. to Hanford operations, AEC and renumbered AT (45–1) 475 effective date Oct. 1, 1951.	Atkinson-Jones Construction Co., San Francisco, Calif.	Construction of 397 housing units with utilities, construction camp for 11,355 workers, railroad siding, electrical distribution facilities, schools, warehouses, shops, plant telephone system, major production facilities, also miscellaneous construction on a continuing basis. Furnish labor, material, and equipment, install process equipment (special) furnished by others, procure and install equipment, provide maintenance service and plant modification necessarily done by major construction labor.	July 31, 1947	Continuing..	$289,632,934	$2,697,518	0.931	Government may terminate for its convenience on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
			DANA, IND.						
	Savannah River operations (E. I. du Pont de Nemours Co.) AT–07–2–1–ADC–1½.[1]	Girdler Corp., Louisville, Ky.	Design, procurement, and construction of heavy-water plant and related facilities (operation of pilot plant). Furnish all labor, services, materials, supplies, tools, construction and process equipment.	Oct. 26, 1950	----------	[3] 37,389,000 [2][4] 41,969,000	136,428 669,781	.365 1.60	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.

See footnotes at end of table, p. 1162.

Cost-plus-a-fixed-fee construction contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	OAK RIDGE OPERATIONS		OAK RIDGE, TENN.						
	AEC, AT(40-1)-255	Maxon Construction Co., Dayton, Ohio.	Complete construction of the addition to the K-25 gaseous diffusion plant, including all appurtenant facilities, expansion of electrical supply, temporary construction, and site work.	Jan. 13, 1949	Dec. 31, 1952	$136,978,465	$1,281,487	0.936	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
			HUNTINGTON, W. VA.		A				
	AEC, AT(40-1)-1303	Rust Engineering Co., Pittsburgh, Pa.	Construction of a reduction pilot plant including process building, compressor building, and miscellaneous facilities and utilities. Furnish all labor, services, materials, necessary tools, and some process and manufacturing equipment.	Feb. 14, 1951	----------	1,710,000	58,300	3.409	Do.
			PADUCAH, KY.						
	AEC, AT(15-1)-2...	F. H. McGraw & Co., Hartford, Conn.	Construction of process buildings, utility systems, administrative facilities, demolition of ordnance plant. Furnish all labor, services, materials, necessary tools, and equipment not furnished by others.	Dec. 6, 1950	----------	322,153,240	1,592,000	.492	Do.

NEW YORK OPERATIONS		FERNALD, OHIO						
AEC, AT(30-1)-1145	George A. Fuller Co. New York; N. Y.	Construction of feed materials production center. Furnish all labor, services, materials, necessary tools and equipment not furnished by others.	Mar. 29, 1951		32, 563, 300	610, 000	1. 871	Do.
		ST. LOUIS, MO.						
AT(30-1)-1126	Singmaster & Breyer, New York, N. Y.	Design, procurement, engineering, and installation of facilities. Furnish all labor, services, materials, necessary tools, and process equipment.	Mar. 5, 1951	May 31, 1951	[3] 95. 000 [4] 240, 000	3. 270 6, 730	3. 29 2. 80	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
AT(30-1)-666	Wigton-Abbott Corp., Plainfield, N. J.	Design, procurement and installation of equipment for expansion of facilities. Furnish all labor, services, materials, necessary tools, and process equipment.	June 27, 1949	Oct. 31, 1951	[3] 1, 070, 000 [4] 1, 995, 614	14. 300 47, 836	1. 34 2. 40	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
IDAHO OPERATIONS		REACTOR TESTING STATION, IDAHO						
AT (10-1)-30	Fluor Corp., San Francisco, Calif.	Construction of materials testing reactor, including miscellaneous related work and services. Furnish all labor, services, materials, necessary tools, and equipment not furnished by others.	Jan. 29, 1950		11, 145, 399	213, 000	2. 00	Do.
AEC, AT(10-1)-120	Bechtel Corp., San Francisco, Calif.	Construction of chemical processing plant. Furnish all labor, services, materials, necessary tools and construction equipment.	July 28, 1950		16, 413, 880	310, 000	1. 89	Do.

See footnotes at end of table, p. 1162.

Cost-plus-a-fixed-fee construction contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
	SAN FRANCISCO AREA		LIVERMORE, CALIF.						
	A E C, AT(11-1) Gen. 74.	California Research & Development Co., San Francisco, Calif.	Design, development, procurement, construction, and operation of a high current particle accelerator and auxiliary facilities. Furnish all labor, services, materials, necessary tools, construction and process equipment.	Feb. 24, 1950		$9,400,000	$175,000	1.86	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
	SANTA FE OPERATIONS		BOULDER, COLO.						
	AT(29-1)-1127	Stearns-Roger Manufacturing Co., Denver, Colo.	Design, procurement, and construction of laboratory facilities at Boulder, to be operated by National Bureau of Standards. Furnish all labor, services, materials, necessary tools, and process equipment.	Feb. 12, 1951		[3] 1,800,000 [4] 2,100,000	25,000 55,833	1.39 2.66	May be terminated at any time on 60 days' written notice by either party. Full settlement of all costs to be made plus earned portion of fee.
			ROCKY FLATS, COLO.						
	AT(29-1)-1107	The Austin Co., Cleveland, Ohio.	Design of entire facility, procurement of operating equipment and critical materials and construction of process buildings. Also, on LS basis, a site selection survey. Furnish all labor, services, materials, necessary tools, equipment and operating equipment.	Jan. 15, 1951		[3] 30,300,000 [4] 21,900,000	225,000 365,000	.74 1.67	Do.

		PANTEX, TEX.						
AT(29-1)-1080	Silas Mason Co., Shreveport, La.	Design of process buildings, utilities and support facilities, procurement of process equipment and critical materials; construction of process buildings. Furnish all labor, services, materials, necessary tools, and process equipment.	Dec. 13, 1950		[3] 15,800,000 [4] 11,100,000	164,000 207,000	1.04 1.86	May be terminated at any time on 30 days' written notice by either party. Full settlement of all costs to be made plus earned portion of fee.
		ENIWETOK TEST SITE						
AT(29-1)-507	Holmes & Narver, Los Angeles, Calif.	Design, procurement, and construction of scientific structures, circuitry and other technical facilities plus camp and other support facilities. In addition contract included camp operation, maintenance and management prior to and during test periods; technical support during test; roll-up services upon completion of test. Furnish all labor, service, materials, necessary tools and equipment.	Sept. 16, 1948	Jan. 1, 1952	[6] 8,700,000 [7] 3,800,000 [8] 26,300,000 [9 10] 26,300,000	105,000 76,000 516,000 304,000 1,001,000	---------- ---------- 1.96 1.15 ----------	May be terminated at any time on 30 days, written notice by either party. Full settlement of all costs to be made plus earned portion of fee.
AT(29-2)-2	Holmes & Narver, Los Angeles, Calif.	Design, procurement, construction and support for future test activities similar to the services provided under contract 507. Furnish all labor, service, materials, necessary tools and equipment.	Oct. 18, 1951	Indefinite	[11] 19,000,000	----------	----------	May be terminated at any time for convenience of the Government on written notice to contractor. Full-settlement of all costs of contractor to be made plus earned portion of fee; also provisions for termination for fault of contractor.
		NEVADA TEST SITE						
AT(29-1) 1230	Haddock Engineers, Ltd., Los Angeles, Calif.	Construction of scientific and technical structures, roads, communications and electrical circuitry within the test area. Simple design and detailing of above construction. Furnish all labor, service, materials, necessary tools, and equipment.	June 22, 1951	Feb. 1, 1952	[3] 3,800,000 [4] 3,800,000 [12] 1,500,000 [13] 1,000,000	38,000 89,300 19,000 13,700 160,000	1.0 2.34 ----------	May be terminated at any time on 60 days' written notice by either party. Full settlement of all costs to be made plus earned portion of fee.

See footnotes at end of table, p. 1162.

Cost-plus-a-fixed-fee construction contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			NEVADA TEST SITE—continued						
	AT(29-2)-65, letter order.	Haddock Engineers, Ltd., Los Angeles, Calif.	Construction of control point, a reinforced concrete building take-over of McNeil Contracting Co. contract. Furnish all labor, service, materials, necessary tools and equipment.	Sept. 29, 1951	Feb. 1, 1952	[14] $330,000	$7,000	2.12	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
	AT(29-2)-68 letter order.	Reynolds Electric Co., El Paso, Tex.	Construction of electric and communications circuitry, hook-ups and instrumentation. Electrical and mechanical support of test operations. Furnish all labor, service, materials, necessary tools and equipment.	Jan. 5, 1952	July 1, 1952	[4] 1,900,000	44,000	2.32	Do.
						[14] [15] 300,000	6,000	2.00	
							50,000		

[1] Although this is now a subcontract, original negotiations were begun on a prime contract basis and as contract is for general construction, it is included here.
[2] Excluding $5,791 for operation of pilot plant.
[3] Engineering.
[4] Construction.
[5] In addition a lump sum of $17,500 was paid for a site selection survey.
[6] Camp operation, maintenance, and management.
[7] Support and roll-up.
[8] Construction services.
[9] Engineering, design, and inspection.
[10] In addition a lump sum of $20,000 was paid for a preliminary reconnaissance study and report.
[11] Estimated scope. Fee being negotiated.
[12] Operation, maintenance, management of camp and motor pool.
[13] Support and maintenance of test activities.
[14] Definitive contract to be executed by Feb. 29, 1952 (fee now being negotiated).
[15] Support.

Cost-plus-a-fixed-fee architect-engineer contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of related construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			OAK RIDGE, TENN.						
	Oak Ridge, AT-40-1-114.	Michael Baker, Inc., Rochester, Pa.	Perform all field work necessary to complete a property survey of the community of Oak Ridge including location of all utility lines. To develop preliminary planning lay-outs of all lots and parcels to stake and work all lots and parcels, to complete a perimeter survey of each lot and parcel and to survey and monument city limits.	Sept. 18, 1950	May 30, 1952	(1 2)	$30,311	----------	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
	Oak Ridge, AT(40-1)2-247.	The Austin Co., Cleveland, Ohio.	Design and inspection services for the construction of permanent buildings, utilities and facilities for the administration, research, operation, development and service areas of ORNL.	June 25, 1948	----------	$21,938,631	187,821	0.855	Do.
	Oak Ridge, AT (40-1)-253.	Giffels & Vallet, Detroit, Mich.	Perform AE services for K-29 and K-31: (1) Preliminary surveys and investigations. (2) Preliminary studies, development of design criteria, sketches, lay-out, cost and material estimate. (3) Detail design drawings and specifications. (4) Supervision of construction. (5) All appurtenant facilities and utilities except primary electrical. (6) A pumping station including a cooling tower. (7) A water treatment plant.	Dec. 13, 1948	Feb. 27, 1951	121,180,669	511,372	.422	Government may terminate for its convenience on written notice to contractor. Full settlement of all costs of contracts to be made plus earned portion of fee.

See footnotes at end of table, p. 1166.

Cost-plus-a-fixed-fee construction contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			NEVADA TEST SITE—continued						
	AT(29-2)-65, letter order.	Haddock Engineers, Ltd., Los Angeles, Calif.	Construction of control point, a reinforced concrete building take-over of McNeil Contracting Co. contract. Furnish all labor, service, materials, necessary tools and equipment.	Sept. 29, 1951	Feb. 1, 1952	[14] $330,000	$7,000	2.12	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
	AT(29-2)-68 letter order.	Reynolds Electric Co., El Paso, Tex.	Construction of electric and communications circuitry, hook-ups and instrumentation. Electrical and mechanical support of test operations. Furnish all labor, service, materials, necessary tools and equipment.	Jan. 5, 1952	July 1, 1952	[4] 1,900,000	44,000	2.32	Do.
						[14] [15] 300,000	6,000	2.00	
							50,000		

[1] Although this is now a subcontract, original negotiations were begun on a prime contract basis and as contract is for general construction, it is included here.
[2] Excluding $5,791 for operation of pilot plant.
[3] Engineering.
[4] Construction.
[5] In addition a lump sum of $17,500 was paid for a site selection survey.
[6] Camp operation, maintenance, and management.
[7] Support and roll-up.
[8] Construction services.
[9] Engineering, design, and inspection.
[10] In addition a lump sum of $20,000 was paid for a preliminary reconnaissance study and report.
[11] Estimated scope. Fee being negotiated.
[12] Operation, maintenance, management of camp and motor pool.
[13] Support and maintenance of test activities.
[14] Definitive contract to be executed by Feb. 29, 1952 (fee now being negotiated).
[15] Support.

Cost-plus-a-fixed-fee architect-engineer contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of related construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			OAK RIDGE, TENN.						
	Oak Ridge, AT–40–1–114.	Michael Baker, Inc., Rochester, Pa.	Perform all field work necessary to complete a property survey of the community of Oak Ridge including location of all utility lines. To develop preliminary planning lay-outs of all lots and parcels to stake and work all lots and parcels, to complete a perimeter survey of each lot and parcel and to survey and monument city limits.	Sept. 18, 1950	May 30, 1952	(1 2)	$30,311	----------	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
	Oak Ridge, AT(40–1)2–247.	The Austin Co., Cleveland, Ohio.	Design and inspection services for the construction of permanent buildings, utilities and facilities for the administration, research, operation, development and service areas of ORNL.	June 25, 1948	----------	$21,968,631	187,821	0.855	Do.
	Oak Ridge, AT (40–1)–253.	Giffels & Vallet, Detroit, Mich.	Perform AE services for K–29 and K–31: (1) Preliminary surveys and investigations. (2) Preliminary studies, development of design criteria, sketches, lay-out, cost and material estimate. (3) Detail design drawings and specifications. (4) Supervision of construction. (5) All appurtenant facilities and utilities except primary electrical. (6) A pumping station including a cooling tower. (7) A water treatment plant.	Dec. 13, 1948	Feb. 27, 1951	121,180,669	511,372	.422	Government may terminate for its convenience on written notice to contractor. Full settlement of all costs of contracts to be made plus earned portion of fee.

See footnotes at end of table, p. 1166.

Cost-plus-a-fixed-fee architect-engineer contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of related construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			OAK RIDGE, TENN—continued						
	Oak Ridge, AT (15-1)-10.	....do....	Paducah, Ky.: Perform AE services for "C" plant, including: (1) Preliminary planning. (2) Development of design criteria. (3) Site study and planning. (4) Design and inspection of construction.	Nov. 15, 1950	.....	$241, 761, 519	$367, 000	0.152	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
	Oak Ridge, AT (15-1)-1.	Smith, Hichman & Grylls, Inc., Detroit, Mich.	Perform AE services for: water, sewer, steam, air and gas, auxiliary buildings, roads, railroads.	Dec. 4, 1950	.....	40, 794, 738	259, 000	.633	Do.
			OAK RIDGE, TENN., AND PADUCAH, KY.						
	Oak Ridge, AT (40-1) 258.	Sargent & Lundy, Chicago, Ill.	Perform AE services in connection with primary power facilities.	Jan. 31, 1949	.....	42, 203, 990	182, 765	.433	Do.
			OAK RIDGE, TENN.						
(Y)	Oak Ridge, AT (40-1) 1329.	Vitro Corp of America, New York, N. Y.	Preliminary investigation of suitable buildings to house a development plant, complete design (excluding process design) of the project. Complete architect engineer supervision and inspection of construction.	Sept. 7, 1951	.....	(3)	.....	.....	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned por-

								tion of fee; also provision for termination for fault of the contractor.
			OAK RIDGE, TENN., AND PADUCAH, KY.					
Oak Ridge, AT (40-1)-1071.	Singmaster & Breyer, New York City.	Perform AE services for feed plant.	Oct. 6, 1950		8,067,271	104,819	1.299	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
			REACTOR TESTING STATION, IDAHO					
Idaho, AT (10-1)-2..	Blaw Knox, Pittsburgh, Pa.	Complete AE services for MTR including: preliminary surveys, development of design criteria, detailed design drawings, supervision and inspection of construction, as built drawings.	Sept. 19, 1949		16,005,874	192,340	1.20	May be terminated for convenience of the Government on 10 days' written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.
Idaho, AT (10-1)-55..	Foster Wheeler, New York City.	Complete AE services for CPP including, assisting Oak Ridge, Lab. with development, preliminary surveys, development of design criteria, detailed design drawings, supervision of construction.	May 20, 1950		14,066,380	148,000	1.05	Government may terminate for its convenience on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee also provision for termination for fault of contractor.
			FERNALD, OHIO					
New York, AT (30-1)-1060.	Catalytic Construction Co., Philadelphia, Pa.	AE services in connection with locating, designing and supervising construction of feed material production center at Fernald.	Nov. 17, 1950		[4] 38,213,000 [5] 16,000,000	309,000 86,000	.809 .538	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee.

See footnotes at end of table, p. 1166.

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Cost-plus-a-fixed-fee architect-engineer contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated cost of related construction on which fee is based	Fee	Fee as a percent of estimated cost (column G)	Remarks
				Award	Completion				
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			NEVADA TEST SITE						
	Santa Fe operations, AT (29-2)-23, letter order.	Silas Mason Co., Shreveport, La.	Design of scientific structures, roads, electrical and communication circuiting in operational areas; design of additional camp facilities; procurement of critical materials for above work. Management of health and safety engineering program for operation.	Oct. 18, 1951	.....	[4] $5,447,000 [5] 1,034,000 ([6]) ([7])	$64,074 12,136 2,100 78,310	1.18 1.17	May be terminated at any time for convenience of the Government on written notice to contractor. Full settlement of all costs of contractor to be made plus earned portion of fee; also provision for termination for fault of contractor.
	Santa Fe operations, AT (29-1)-1107.	Holmes & Narver, Los Angeles, Calif.	Design of permanent test facilities including control point, Rad-Safe Building and other permanent structures; roads and basic electrical distribution system; design of camp facilities including power plant.	Apr. 1951	.....	7,300,000	95,525	1.31	May be terminated at any time on 30 days, written notice by either party. Full settlement of all costs to be made plus earned portion of fee.

[1] Engineering survey work only with no related construction. Estimated cost of survey $118,660.
[2] No related construction cost.
[3] Being negotiated not established. Obligations authorized up to $300,000 only.
[4] Engineering.
[5] Procurement.
[6] Management.
[7] Definitive contract out for signature, Feb. 15, 1952.

Cost-plus-a-fixed-fee operating contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)

Item No.	Operations office and contract number	Name of contractor and address	Location of operating facilities, description of work performed, and responsibilities of contractor	Dates		Estimated payments, fiscal years 1950–53, inclusive			Remarks
				Award	Completion	Fee	Overhead allowance	Total payments	
A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Colorado raw materials, AT(05–1)–53.	The Galigher Co., 545 West 8th St. South Salt Lake City, Utah.	Monticello, Utah; operation of ore processing facilities.	Aug. 23, 1949	Sept. 30, 1952	[1] $153,808	.....	$3,788,893	Total annual payments do not include cost of ore which has been supplied by Commission.
2	Colorado raw materials, AT(49–1)–160.	Walker-Lybarger Construction Co., P. O. Box 324, Grand Junction, Colo.	Grand Junction, Colo.: Performs maintenance, protection and construction services for activities in Colorado Plateau area.	July 1, 1948	June 30, 1952	80,000	.....	3,592,466	
3	Washington raw materials, AT(49–1)–611.	Blockson Chemical Co., Joliet, Ill.	Joliet, Ill.: Develop and install process equipment in contractor-owned facility, operate uranium processing facility.	Mar. 6, 1951	Sept. 1, 1957	40,000	24,000	1,422,751	Development period on cost basis only, installation of equipment on cost basis only, operation of plant on fixed-fee basis.
1	New York, N. Y. AT(30–1)–510.	Brush Beryllium, Cleveland, Ohio.	Contractor is to conduct and perform studies, experimental investigations and other work in connection with the production of pure beryllium and production of zirconium, work to be done in Luckey, Ohio.	Feb. 1, 1949	July 31, 1952	396,000	390,320	8,078,740	
2	New York, N. Y. AT(30–1)–1041.	United Lead Co., 111 Broadway, New York, N. Y.	Operate and maintain the Middlesex, N. Y., storage and sampling plant.	Nov. 1, 1950	Oct. 31, 1953	33,800	.....	685,628	
3	New York, N. Y. AT(30–1)–1156.	National Lead Co. of Ohio, 111 Broadway, New York 6, N. Y.	Operate and maintain the feed materials production center, Fernald, Ohio, now under construction.	May 1, 1951	June 30, 1954	[2] 200,000	.....	11,779,175	

See footnotes at end of table, p. 1171.

Cost-plus-a-fixed-fee operating contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of operating facilities, description of work performed, and responsibilities of contractor	Dates		Estimated payments, fiscal years 1950–53, inclusive			Remarks
				Award	Completion	Fee	Overhead allowance	Total payments	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
4	New York, N. Y. W–7405–Eng–14.	Union Carbide & Carbon Corp., 30 E. 42d St., New York.	To maintain in stand-by condition the plant at Niagara Falls, N. Y.	Nov. 14, 1942	June 30, 1952	$30,000	$22,746	$275,974	
5	New York, N. Y. AT(30–1)–Gen–165	Union Carbide & Carbon Corp., 30 E. 42d St., New York.	Maintain plant at Tonawanda, N. Y. in stand-by.	Nov. 1, 1947	Oct. 31, 1953	7,250	13,237	163,915	
6	Oak Ridge W–7405–eng–26.	Union Carbide & Carbon Corp., New York, N. Y.	Operate and maintain the gaseous diffusion plants including the feed plant and related facilities, the Y–12 area and ORNL (X–10) at Oak Ridge. Process design, engineering development and procurement of special items of equipment, preoperational inspection and testing and operation and maintenance of the Paducah, Ky., project.	Jan. 18, 1943	Jan. 30, 1955	9,788,989	----------	459,972,139	
7	Oak Ridge AT–33–1–Gen–53.	Monsanto Chemical Co., St. Louis, Mo.	Operate and maintain Mound Laboratory at Miamisburg, Ohio.	June 18, 1951	June 30, 1956	1,300,900	581,120	22,902,844	
8	Oak Ridge, AT–(40–1)–1044.	American Industrial Transport, Inc., Oak Ridge, Tenn.	Manage, operate, and maintain the Oak Ridge bus system.	July 1, 1950	June 30, 1955	93,600	----------	1,193,190	
9	San Francisco, AT–(11–1)–74.	California Research and Development Co., San Francisco, Calif.	Design, construct, and operate particle accelerator located at Livermore, Calif. (See also p. 5).	Apr. 1, 1950	June 30, 1954	279,440	----------	9,844,415	
------	Oak Ridge, W–7401–eng–115	Roane-Anderson Co., Oak Ridge, Tenn.	Perform management services (including management of community services, residential and commercial properties, utilities and related construction, and maintenance services) of Oak Ridge community.	Sept. 23, 1943 Close-out during period. Feb. 29, 1952	Nov. 30, 1951 Dec. 1, 1951	315,500	----------	*Net cost* 5,040,376	*Gross cost* $17,057,535

10	Savannah River, AT(07-2)-1 (letter contract).	E. I. du Pont de Nemours & Co., Wilmington, Del.	Design, construction and operation of production facilities at Savannah River, S. C., and Dana, Ill.	Aug. 1, 1950	Mar. 31, 1952 (Subject to definitive contract.)	----------	5,900,000	1,086,834,500	
11	Hanford, Wash., W-31-109-Eng-52.	General Electric Co., Schenectady, N. Y.	Performance of architect-engineer, construction, operation, and process development services at Hanford, Wash., and operation of Knolls Atomic Power Laboratory at Schenectady, N. Y., in conjunction with the GE Research Laboratory for fundamental research and development.	Sept. 1, 1946	June 30, 1956	----------	3,148,326	400,209,768	
1	Santa Fe office, AT-29-1-613.	Bendix Aviation Corp., (Kansas City Division Kansas City, Mo.)	Engineering, lay-out, preparation, equipping, and operation of facilities for the production and assembly of classified material.	Feb. 28, 1949	----------	4,882,377	589,169	111,820,000	
2	Santa Fe office, AT-29-1-1105.	Dow Chemical Co., Midland, Mich.	To plan, and operate the Rocky Flats plant in which production, engineering, manufacturing, and assembly of classified critical materials will be undertaken.	Jan. 18, 1951	----------	[3] 932,500	----------	9,345,890	
3	Santa Fe office, W-49-010-ORD-68.[4]	Silas Mason Co., New York, N. Y.	Burlington, Iowa: Contractor responsible for construction of facilities, movement, personnel training, and facility operation for production of classified material.	Oct. 21, 1947	Open	1,271,228	----------	47,114,449	
4	Santa Fe office, DA-49-010-ORD-4.[4]	Procter & Gamble, Defense Corp., Cincinnati, Ohio.	Contract provides for technical consultant services, personnel training and operation of the Pantex Ordnance Plant, Amarillo, Tex.	Mar. 1, 1951	----------	440,000	----------	10,000,000	
								Net cost	*Gross cost*
5	W-17-028-Eng 90....	The Zia Co., Los Alamos, N. Mex.	Operates and maintains all utilities in support of community and technical programs at Los Alamos. Performs technical support for installation of instrumentation, gadgeteering, and maintenance functions within the technical areas. Operates and maintains all housing, concessionaire, and transportation programs and facilities. Performs certain procurement for AEC and contractors.	Apr. 1, 1947	June 30, 1954	424,310	----------	26,178,025	$45,591,000

See footnotes at end of table, p. 1171.

Cost-plus-a-fixed-fee operating contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 195,) Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of operating facilities, description of work performed, and responsibilities of contractor	Dates		Estimated payments, fiscal years 1950–53, inclusive			Remarks
				Award	Completion	Fee	Overhead allowance	Total payments	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
6	AT–29–2–69 [5]	The Nevada Co., Las Vegas, Nev. (a subsidiary of Haddock Engineers, Ltd. & Associates).	Work at Nevada test site involves maintenance of all structures and roads; operation and maintenance of warehouse, transportation, and utility facilities; construction of minor facilities; operation of camp and messing facilities; technical support to test programs.	Jan. 22, 1952 [6]	(7)	$80,000	----------	$5,000,000	
			IDAHO OPERATIONS OFFICE						
1	AT(10–1)–205	Phillips Petroleum Co., Bartlesville, Okla.	Operation of the materials testing reactor at the national reactor testing station, Arco, Idaho.	Nov. 22, 1950	June 30, 1955	235,250	$314,750	5,175,650	
2	AT(10–1)–177	American Cyanamid Co., New York, N. Y.	Operation of a chemical processing plant at the reactor testing station, Arco, Idaho.	Oct. 9, 1950	June 30, 1954	130,000	(8)	6,482,400	
3	AT(10–1)–113	Western Equipment Co., Boise, Idaho.	Operation of an equipment repair shop at the reactor testing station.	Sept. 1 1950	Feb. 28, 1952	58 000	(8)	2,064,864	
4	AT (10–1)–406	National Industrial Maintenance Corp., Boise, Idaho (parent company is Morrison-Knudsen Co., Inc., Boise, Idaho).	Operation of maintenance and craft shops, services and utility systems at the reactor testing station.	Dec. 19, 1951	June 30, 1952	25,000	(8)	480,000	
5	AT (10–1)–308	Lost Rivers Transportation Co., Portland, Oreg. (parent company is Oregon Motor Stages, Portland, Oreg.).	Operation of transportation system at the reactor testing station.	May 2, 1951	-----do------	29,900	(8)	851,100	

6	AT (10-1)-376	Harding-Williams, Chicago, Ill.	Operation of 3 cafeterias at the reactor testing station.	Nov. 2, 1951	June 30, 1952	3,983	.....	82,580
	AT-11-1-Gen-14	Westinghouse Electric Corp., Pittsburgh, Pa.	In Government-owned facilities at Bettis Field, Pittsburgh, Pa., on land leased from the contractor, he is responsible for the fabrication, testing, and operation of a nuclear power plant for propulsion of a submarine and research and developmental work thereon in conjunction with other contractors. The reactor is being constructed at the national reactor testing station.	Dec. 10, 1948	June 30, 1953	2,015,182	1,262,263	82,665,405

[1] Galigher Co. fee includes services of full time on-the-job manager and home office supervision and home office overhead; Walker-Lybarger fee includes full time services of 1 partner and part time services of another, and home office overhead.

[2] Intended to cover general and administrative expenses only, with no provision for profit.

[3] The fixed fee is not based specifically on an estimate of the total cost of the work. Rather it represents an estimate (made by the contractor and reviewed by AEC) of the contractor's home-office salaries which can be allocated directly to the Rocky Flats project. The amount of the fee to be paid for subsequent fiscal years will be agreed upon prior to the beginning of each fiscal year. In negotiating for a coming year's fee the AEC audits the prior year's actual home-office salaries.

[4] Costs under these contracts are borne by AEC. Department of Ordnance (Army) negotiated and administers the contract.

[5] Being negotiated.

[6] Letter order.

[7] Probably 1 year.

[8] Included in fee.

Cost-plus-a-fixed-fee research and development contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated payments, fiscal years 1950-53, inclusive			Remarks
				Award	Completion	Fee	Overhead allowance	Total payments	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
1	Washington area, Division of Raw Materials, AT (49-1)-540.	The Merrill Co., 582 Market St., San Francisco, Calif.	Study and development of a uranium process equipment at contractor-owned laboratory, San Francisco, Calif.	June 13, 1951	Apr. 9, 1952	$3,600	$18,000	$60,000	
2	Washington area, Division of Raw Materials, AT (49-1)-539.	Sonic Research Corp., 15 Chardon St., Boston 14, Mass.	Study and design of certain uranium process equipment at contractor-owned facilities, Boston, Mass.	June 6, 1951	June 30, 1952	500	----------	10,500	
1	New York, N. Y., AT(30-1)848.	Vitro Corp. of America New York, N. Y.	Research and development work with respect to waste residue recovery, scrap recovery, process design and other related work. Location, Jersey City, N. J.	Feb. 1, 1950	May 31, 1952	48,708	194,410	730,949	
2	New York, N. Y., AT(30-1)366.	Sylvania Electric Products, Flushing, N. Y.	Research and development work on preparation of feed materials. Location, Bayside, Long Island, N. Y.	July 1, 1948	June 30, 1952	101,741	710,576	1,809,444	
3	New York, N. Y., AT(30-1)-Gen-228.	Battelle Memorial Institute, Columbus, Ohio.	Conduct studies and experimental investigations on uranium- and thorium-bearing ores and other specially assigned projects. Location, Columbus, Ohio.	Oct. 1, 1947	-----do------	26,842	165,345	552,454	
4	New York, N. Y., AT(30-1)-561.	New England Lime Co., Canaan, Conn.	Conducted research and development work on the distillation and purification of metal and delivered quantities. Location, Canaan, Conn.	Feb. 5, 1949	Oct. 15, 1951	44,306	9,400	923,197	
5	New York, N. Y., AT(30-1)-1065.	Blaw-Knox Construction Co., Pittsburgh, Pa.	Design and testing of improved denitration equipment.	Nov. 30, 1950	Mar. 1, 1953	2,400	6,134	15,992	
6	San Francisco, AT(11-1)-143.	Radio Corp. of America, New York, N. Y.	Develop and produce quantity of superpower vacuum tubes at Harrison, N. J.	Oct. 1, 1950	Dec. 31, 1952	77,815	----------	2,877,800	

1	Santa Fe Office, AT–29–1–1183.	Edgerton, Germeshausen & Grier, Inc., Boston, Mass.	Work involves (1) research and development and manufacturing incident to installation of scientific test instrumentation at AEC test sites; (2) design, manufacture, test, maintenance of operations systems, weapons systems, (3) participation in weapons test evaluation.	July 1, 1951	June 30, 1955	170,232	----------	3,100,000	
			CHICAGO OPERATIONS OFFICE						
1	W–7405–Eng–92	Battelle Memorial Institute, 505 King Ave., Columbus 1, Ohio.	In contractor's facilities at Columbus, Ohio, Battelle performs work in research, development, and fabrication in the fields of (*a*) metallurgy, (*b*) ceramics, (*c*) concretes and cements, (*d*) the chemistry of substances related to reactors, and (*e*) solid state physics.	Apr. 16, 1943	June 30, 1954	191,135	1,402,503	4,306,097	
2	AT–11–1–Gen–8	North American Aviation, Inc., Municipal Airport, Los Angeles, Calif.	In contractor's facilities at Downey, Calif., North American engages in a program of research and development work including the following activities: (*a*) The study and development of reactor materials and components, (*b*) developmental studies on various specific reactor types in which the Commission is interested.	May 1, 1948	do	351,409	2,281,797	7,812,676	
3	AT–11–1 Gen 13	Corning Glass Works, Corning, N. Y.	In contractor's facilities at Corning, N. Y., the contract provides for cooperation between the Commission, Argonne National Laboratory, and Corning in studies relating to radiation effects on glass and other transparent materials.	Nov. 1, 1948	Nov. 1, 1952	1	0	0	No reimbursable costs are provided under this nominal-fee contract, which covers cooperative research arrangements between the laboratory and the company.
4	AT–11–1–171 (letter contract).	General Electric Co., Schenectady, N. Y.	In non-AEC but Government-owned facilities near Lockland, Ohio, the contractor is responsible for fabrication, testing, and operation of a nuclear power plant for propulsion of aircraft and research and development work thereon in conjunction with other contractors.	June 29, 1951	Mar. 31, 1952[1]	(2)	(2)	13,500,000	

[1] Subject to definitive contract.
[2] Being negotiated.

Cost-plus-a-fixed-fee research and development contracts awarded by Atomic Energy Commission (active as of July 1, 1951, plus subsequent awards through Jan. 31, 1952)—Continued

Item No.	Operations office and contract number	Name of contractor and address	Location of work, project description, and responsibilities of contractor	Dates		Estimated payments, fiscal years 1950–53, inclusive			Remarks
				Award	Completion	Fee	Overhead allowance	Total payments	
(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)	(I)	(J)
			CHICAGO OPERATIONS OFFICE—continued						
5	AT-11-1-110	Stanford Research Institute, Stanford, Calif.	In contractor's facilities at Stanford, Calif., the contractor is engaged in developing a continuous separation of ions by moving ion-exchange bed and engineering-economic study of the cost and pricing policy of radioisotopes and fission products.	June 25, 1950	Aug. 14, 1952	$6,500	$51,964	$142,249	
6	AT-11-1-126	Elgin National Watch Co., Elgin, Ill.	In contractor's facilities at Elgin, Ill., the contractor is conducting research on high-speed electro-mechanical counting registers.	July 1, 1950	Nov. 30, 1951	937	8,491	19,190	
7	AT-11-1-149	Armour Research Foundation, Chicago, Ill.	In contractor's facilities at Chicago, Ill., the contractor is developing zirconium phase diagrams.	Jan. 1, 1951	Jan. 31, 1952	6,338	33,627	99,999	
8	AT-11-1-173	Grahan, Crowley & Associates, Inc., 341 East Ohio St., Chicago, Ill.	In contractor's facilities at Chicago, Ill., the contractor is developing methods for electrowinning of zirconium.	May 1, 1951	Apr. 30, 1952	1,300	11,400	23,200	
9	AT(11-1)-135	The Rand Corp., 1500 4th St., Santa Monica, Calif.	In the contractor's facilities at Santa Monica, Calif., he is making theoretical studies of gamma rays and neutrons through thick media.	Sept. 29, 1950	June 30, 1952	6,208	38,689	107,812	
10	AT(30-1)-771	Battelle Memorial Institute, Columbus, Ohio.	In contractor's facilities at Columbus, Ohio, he conducts development and construction of a pilot plant for zirconium production.	Oct. 20, 1949	Dec. 31, 1951	23,505	98,412	412,631	

			NEW YORK OPERATIONS OFFICE					
1	AT(30-1)-1013	Arthur D. Little, Inc., 30 Memorial Dr., Cambridge, Mass.	In contractor's facilities, he is engaged in air-filter research.	July 1, 1950	Sept. 15, 1952	7,500	19,309	109,608
2	AT(30-1)-862	Nuclear Development Association, 80 Grand St., White Plains, N. Y.	In contractor's facilities, he is engaged in gamma ray and neutron-shielding research.	Mar. 6, 1950	Dec. 31, 1952	11,209	52,777	152,923
3	AT(30-1)-1075	H. K. Ferguson Co., 19 Rector St., New York 6, N. Y.	In contractor's facilities, he is engaged in engineering studies related to the development of nuclear reactors.	Feb. 1, 1951	June 30, 1952	27,775	135,418	375,000
4	AT(30-1)-850	Vitro Corp. of America, 233 Broadway, New York, N. Y.	In contractor's facilities, he is engaged in development of waste treatment systems including equipment development.	Feb. 1, 1950	....do....	50,905	163,547	822,667
			OAK RIDGE OPERATIONS OFFICE					
	AT (40-1) 1064	North American Aviation, Inc., Downey, Calif.	In contractor's facilities at Downey, Calif., he carries out analytical engineering studies of a particular type of power plant of interest to the aircraft nuclear propulsion program.	Mar. 15, 1950	June 30, 1952	16,904	137,491	355,000

NOTE.—A summary of amounts for fees and overhead allowances under the four types of contracts is as follows:

Fees:	
Construction	$10,075,483
Architect-engineer	2,552,263
Operating	23,247,017
Research and development	1,177,770
Total, fees	37,052,533
Overhead allowances:	
Operating	12,245,931
Research and development	5,539,290
Total, overhead allowances	17,785,221
Grand total, fees and overhead allowances	54,837,754

WEAPONS PLANT AND EQUIPMENT FACILITIES

Mr. THOMAS. Let me clear up just one point in my own mind and perhaps for the record. This is to our very able colonel down there as a member of the Corps of Engineers.

For the construction program under "Weapons," you are seeking $89,360,000 for 1953 for construction?

Colonel FIELDS. That will be the total incurred cost. There will be $55 million of additional obligations.

Mr. THOMAS. Is it $55 million or $89 million?

Colonel FIELDS. $55 million.

Mr. THOMAS. The $89 million represents the total cost?

Colonel FIELDS. To be incurred during fiscal year 1953.

Mr. THOMAS. What is going to be the total cost, then?

Mr. MCCARTHY. The $89 million represents the cost of work to be performed in 1953 from prior-year funds and the current estimate for 1953.

Mr. THOMAS. For 1953 it is $55 million, and up through 1953 it will be $89,360,000?

Mr. MCCARTHY. Yes.

Mr. THOMAS. Now, for this amount of money for 1953, $55 million, you are starting nine new contracts; is that correct?

Colonel FIELDS. I am not sure what you refer to.

Mr. THOMAS. Well, I am using your figures. Then, to the tune of $41 million plus out of your $55 million, it is 14 projects, and for 1 item it is $38 million.

Colonel FIELDS. Yes, sir.

Mr. THOMAS. Now, in this item of $38 million, are those plants to be started new, or have you already started work on them?

Colonel FIELDS. They are to be started new. There has been some engineer design work that has gone on.

Mr. THOMAS. And the nine projects which cost in the neighborhood of $14 million that I first mentioned are new projects to be started?

Colonel FIELDS. They have been started.

Mr. THOMAS. All of the nine?

Colonel FIELDS. Yes, sir.

Mr. THOMAS. Take the office building at Sandia, for instance.

Colonel FIELDS. That is not included in this.

Mr. THOMAS. What about your divisional laboratory administration building at Los Alamos?

Colonel FIELDS. That is to be started new.

Mr. THOMAS. What about your demolition at Los Alamos?

Colonel FIELDS. That is new.

Mr. THOMAS. Well, all of the nine I mentioned are new, then?

Colonel FIELDS. Yes, sir; that is correct.

Mr. THOMAS. So that the $55 million you are seeking for 1953 is to start a given number of projects which all total about $14 million which are new; is that correct?

Colonel FIELDS. That is correct.

Mr. THOMAS. That is all.

Mr. PHILLIPS. I have one question along that same line which I will ask either of the colonel or Mr. Dean.

Of the money you have asked in this budget before us now, is any amount of that related to the proposed expansion program?

Mr. DEAN. No, sir.

Mr. PHILLIPS. You mean there is nothing in this budget that has anything to do with the anticipated expansion program?

Mr. DEAN. That is correct.

Mr. GORE. Thank you, gentlemen.

Mr. DEAN. Thank you, Mr. Gore.

WEDNESDAY, FEBRUARY, 13, 1952.

FEDERAL COMMUNICATIONS COMMISSION

WITNESSES

WAYNE COY, CHAIRMAN
W. K. HOLL, EXECUTIVE OFFICER
ROBERT W. COX, ASSISTANT EXECUTIVE OFFICER
JACK WERNER, CHIEF, COMMON CARRIER BUREAU
JOSEPH KITTNER, ASSISTANT CHIEF, BROADCAST BUREAU
EDWIN L. WHITE, CHIEF, SAFETY AND SPECIAL RADIO SERVICES BUREAU
GEORGE TURNER, CHIEF, FIELD ENGINEERING AND MONITORING DIVISION
EDWARD ALLEN, CHIEF ENGINEER
WILLIAM J. NORFLEET, CHIEF ACCOUNTANT
DEE W. PINCOCK, ASSISTANT TO THE GENERAL COUNSEL
COL. GOMER LEWIS, CHIEF, PLANS BRANCH, DIRECTOR OF COMMUNICATIONS, USAF

SALARIES AND EXPENSES

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$6,600,000	$6,116,650	$8,075,000
Proposed supplemental due to pay increases		488,900	
Reimbursements from other accounts	72,479	231,750	254,000
Total available for obligation	6,672,479	6,837,300	8,329,000
Unobligated balance, estimated savings	−182		
Obligations incurred	6,672,297	6,837,300	8,329,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
Direct obligations			
1. Common-carrier activities	$818,544	$775,498	$762,249
2. Applied technical research and frequency allocation	463,751	453,155	532,819
3. Field engineering and monitoring	2,382,354	2,484,994	3,627,035
4. Safety and special services	616,480	614,049	658,969
5. Broadcast activities	909,068	929,036	1,131,339
6. Executive, staff, and service activities	1,409,621	1,348,818	1,362,589
Total direct obligations	6,599,818	6,605,550	8,075,000
Obligations payable out of reimbursements from other accounts			
1. Common carrier activities	4,389		
2. Applied technical research and frequency allocation	16,947	173,945	195,255
3. Field engineering and monitoring	19,296	40,310	40,980
5. Broadcast activities	25,336		
6. Executive, staff, and service activities	6,511	17,495	17,765
Total obligations payable out of reimbursements from other accounts	72,479	231,750	254,000
Obligations incurred	6,672,297	6,837,300	8,329,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Summary of personal services			
Total number of permanent positions	1,285	1,205	1,410
Full-time equivalent of all other positions	1		
Average number of all employees	1,239	1,156	1,386
Average salaries and grades:			
General schedule grades:			
Average salary	$4,759	$5,309	$5,181
Average grade	GS–7.5	GS–7.6	GS–7.6
Crafts, protective, and custodial grades:			
Average salary	$2,608	$2,931	$2,931
Average grade	CPC–3.4	CPC–3.3	CPC–3.4
Ungraded positions: Average salary	$3,263	$3,263	$3,263
Personal service obligations:			
Permanent positions	$5,908,873	$6,132,250	$6,997,338
Part-time and temporary positions	361		
Regular pay in excess of 52-week base		23,584	26,912
Payment above basic rates	71,758	73,000	119,750
Total personal service obligations	5,980,992	6,228,831	7,144,000
Direct obligations			
01 Personal services	5,908,513	5,997,084	6,890,000
02 Travel	85,439	83,750	118,000
03 Transportation of things	20,351	18,000	25,000
04 Communication services	151,063	150,000	159,000
05 Rents and utility services	60,412	53,000	63,000
06 Printing and reproduction	34,300	30,000	30,000
07 Other contractual services	91,784	60,000	75,000
08 Supplies and materials	136,505	130,000	158,000
09 Equipment	111,328	83,716	554,450
10 Lands and structures			2,550
13 Refunds, awards, and indemnities	123		
Total direct obligations	6,599,818	6,605,550	8,075,000
Obligations payable out of reimbursements from other accounts			
01 Personal services	72,479	231,750	254,000
Obligations incurred	6,672,297	6,837,300	8,329,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$489,297	$522,439	$592,845
Obligations incurred during the year	6,672,297	6,837,300	8,329,000
	7,161,594	7,359,739	8,921,845
Deduct:			
Reimbursable obligations	72,479	231,750	254,000
Unliquidated obligations, end of year	522,439	592,845	850,845
Obligated balance carried to certified claims account	12,289		
Total expenditures	6,554,387	6,535,144	7,817,000
Expenditures are distributed as follows:			
Out of current authorizations	6,087,929	5,595,822	7,266,782
Out of prior authorizations	466,458	465,089	535,551
Out of anticipated 1952 supplemental for pay increases		474,233	14,667

Mr. THOMAS. Gentlemen, will the committee please come to order?

We have with us this morning the Federal Communications Commission. We are always delighted to have the Commission and its very competent staff with us. It is nice to see our old friend, the chairman, Mr. Wayne Coy, accompanied by Mr. Holl, executive officer; Mr. Cox, assistant executive officer; Mr. Werner, Chief, Common Carrier Bureau; Mr. Kittner, Assistant Chief, Broadcast Bureau; Mr. White, Chief, Safety and Special Radio Services; Mr. Turner, Chief, Field Engineering and Monitoring; Mr. Allen, chief engineer; Mr. Norfleet, chief accountant; Mr. Pincock, assistant to the General Counsel; and Col. Gomer Lewis, Chief, Plans Branch, Director of Communications, USAF.

We understand the Commission is working day and night, as usual, trying to work out one of their many headaches, namely, the freeze on TV, and the other commissioners are sitting this morning and therefore are not with us. We want to wish them well in their undertaking and hope they can soon get this very difficult problem behind them.

Mr. Chairman, if you have a statement for us, either you or any member of your staff, we will be delighted to hear from you.

GENERAL STATEMENT

Mr. COY. I do not have a prepared statement, Mr. Chairman, but I think I can give you the picture here very quickly by referring to page 1 of the document.

1953 APPROPRIATION REQUEST

We are here before you asking for an appropriation of $8,075,000. In our opinion—and we believe we can prove it—it is a tight budget. It would seem to be $1.4 million more than we have currently in this fiscal year, which would look like a big increase, but had we had in the 1952 column here the money which this committee recommended to the House that we have, the difference would have been about $375,000 instead of $1.4 million. I am referring to the supplemental appropriation bill which we had up here, a request which you recommended, in the sum of about $1 million. I have forgotten the exact amount.

INCREASES REQUESTED FOR SPECIFIC ACTIVITIES

The distribution of the funds between the functions of the Commission is set out on page 1. It shows the big increase we are asking for fiscal 1953 as against our current year is in field engineering and monitoring, again for the expansion of our monitoring service essentially. The other large increase is in the broadcast activities, where the net increase is something like 33 people, and there is a very small increase in the Safety and Special Radio Services.

BACKLOG CONTINUALLY GROWING

The striking thing about our budget presentation is that with the budget we are asking for we will have a continually growing backlog in almost all of our activities. We have some charts with us which will show you how that backlog has grown in our work over the past several years and, even with the estimate we have here, it will continue to grow.

LACK OF PERSONNEL

With this budget, there are many, many things that are proper functions of the Commission which are being postponed because of a lack of personnel and many other things which are being slowed down almost to the point of extinction—functions which we have which are important but which we have had either to delete entirely or to slow down to a snail's pace because of the demand for a tight budget.

PROCESSING OF APPLICATIONS

I would like to say I believe if we had all of the money we think we need to carry on the work of this Commission, it would be good for the economy of this country. I would put it another way around. I am quite sure if we had the money to keep abreast of the processing of applications that come before us, it would pay dividends to the Treasury of the United States over and above the outlay to the Communications Commission for the processing of those applications. And while this is a tight budget or an economy budget, I think it is a false-economy budget, if I may say so, and it would be better if we had the money we need to process those applications in terms of the financial position of the country.

I do not believe I have anything more to add, generally, than that.

Mr. THOMAS. Well, that is a very nice, concise statement. It has the meat in it.

COMPARISON OF APPROPRIATION FOR 1953 WITH 1952

If I may attempt to briefly summarize one or two of the salient points you just stated, the budget for 1953 calls for $8,075,000 as against $6,605,550 for 1952.

AVERAGE EMPLOYMENT

In terms of average employment, for 1952 you have 1,120.5 man-years as against a requested increase to 1,297 for 1953. That is about a 177 increase in jobs, and the big part of that increase is in three fields—field engineering and monitoring, which jumps from 405.7 jobs in 1952 to 538.3 in 1953, and applied technical research and frequency allocation, which jumps from 78.4 in 1952 to 92.5 in 1953, and broadcast activities, which increases from 158.2 in 1952 to 191.1 in 1953.

SUMMARY OF REQUIREMENTS

At this point in the record we will insert the table on page 1 and follow that with the big tables on pages 15 through 21, which gives the complete picture.

(The matter above referred to is as follows:)

This is a performance budget; the program and budget are built on a functional and activity basis. The following table shows average employment and amount of money used in 1951, estimated for 1952 from available funds, and estimated for 1953:

By object and activity	1951 actual		1952 estimate		1953 estimate	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
A. Personal services:						
I. Common carrier	147.6	$791,921	124.9	$753,761	117.5	$741,249
II. Applied technical research and frequency allocation	82.4	419,230	78.4	413,165	92.5	486,819
III. Field engineering and monitoring	426.7	2,019,250	405.7	2,148,101	538.3	2,738,035
IV. Safety and special radio services	129.6	598,212	117.6	598,224	123.4	641,969
V. Broadcast activities	176.1	891,257	158.2	909,736	191.1	1,109,339
VI. Executive, staff, and service activities	264.8	1,188,643	235.7	1,174,097	234.2	1,172,589
Total, personal services	1,227.2	5,908,513	1,120.5	5,997,084	1,297.0	6,890,000
B. Other objects		691,305		608,466		1,185,000
Total obligations		6,599,818		6,605,550		8,075,000
Unobligated balance		182				
Total, appropriation or estimate	1,227.2	6,600,000	1,120.5	6,605,550	1,297.0	8,075,000

TABLE I

Summary of requirements for personal services and other objects, by activity, and obligations payable out of reimbursements

Activity	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
I. COMMON CARRIER						
A. Personal services:						
1. Domestic telephone communications:						
(a) Rate regulation	49.8	$305,543	47.6	$304,608	−2.2	−$1,935
(b) Service regulation	14.7	90,485	14.9	95,349	.2	4,864
Total	64.5	397,028	62.5	399,957	−2.0	2,929
2. Domestic telegraph communications:						
(a) Rate regulation	9.8	60,323	8.1	51,834	−1.7	−8,489
(b) Service regulation	13.0	80,022	13.4	85,751	.4	5,729
Total	22.8	140,345	21.5	137,585	−1.3	−2,760
3. International communications:						
(a) Rate regulation	12.3	75,712	11.5	73,592	− .8	−2,120
(b) Service regulation	10.2	62,786	9.7	62,075	− .5	−711
(c) Settlements	3.3	20,313	3.3	21,118	.....	805
Total	25.8	158,811	24.5	156,785	−1.3	−2,026
4. Statistics	8.9	41,425	6.4	31,038	−2.5	−10,387
Total, Bureau	122.0	737,609	114.9	725,375	−7.1	−12,244
5. Hearings	2.0	12,008	1.8	11,809	−.2	−199
6. Dockets	.9	4,144	.8	4,075	−.1	−69
Total, activities	124.9	753,761	117.5	741,249	−7.4	−12,512
B. Other objects	.....	21,737	.....	21,000	.....	−737
Total obligations	.....	775,498	.....	762,249	.....	−13,249
II. APPLIED TECHNICAL RESEARCH AND FREQUENCY ALLOCATION						
A. Personal services:						
1. Radio-wave propagation	8.5	49,270	9.3	53,579	.8	4,309
2. Technical studies and standards	10.8	60,654	13.9	77,000	3.1	17,144
3. Special technical studies	6.0	33,510	7.5	41,632	1.5	8,122
4. Technical consulting service	4.3	24,914	4.3	24,763	.....	−151
5. International radio broadcast	.2	1,202	.2	1,194	.....	−8
6. Cartographic service	2.0	12,020	1.0	5,973	−1.0	−6,047
7. Frequency utilization and requirements	3.0	14,648	3.0	14,559	.....	−89
8. International conference and treaties	8.5	41,501	8.0	38,248	−.5	3,253
9. Frequency registration and notification	14.1	68,843	14.9	72,305	.8	3,462
10. Experimental radio service	1.9	11,419	1.9	11,349	.....	−70
11. Commission radio operators	2.6	15,626	2.6	15,532	.....	−94
12. Registration of radiation devices	0.5	3,005	0.5	2,987	.....	−18
13. Antenna criteria	3.0	18,028	3.7	22,099	.7	4,071
14. Industrial, scientific, and medical services	2.0	12,020	2.7	16,128	.7	4,108
Subtotal	67.4	366,660	73.5	398,146	6.1	31,486
15. Interdepartmental radio Advisory Committee (IRAC)	11.0	46,505	19.0	88,673	8.0	42,168
Total, activities	78.4	413,165	92.5	486,819	14.1	73,654
Working funds:						
Conelrad	19.0	142,092	21.4	159,341	2.4	17,249
CRPL	2.0	15,443	3.0	19,251	1.0	3,808
Technical assistance	3.0	16,410	3.0	16,665	.....	255
Total, working funds	24.0	173,945	27.4	195,257	3.4	21,312
Total, personal services	102.4	587,110	119.9	682,076	17.5	94,966
B. Other objects	.....	39,990	.....	46,000	.....	6,010
Total obligations	.....	627,100	.....	728,076	.....	100,976

TABLE 1—Continued

Summary of requirements for personal services and other objects, by activity, and obligations payable out of reimbursements—Continued

Activity	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
III. FIELD ENGINEERING AND MONITORING						
A. Personal services:						
1. Field offices (enforcement)	209.1	$1,101,591	222.0	$1,157,439	12.9	$55,848
2. Monitoring	179.6	941,177	299.3	1,475,263	119.7	534,086
3. Supervision, technical control and common services	17.0	105,333	17.0	105,333	.....	.....
Total	405.7	2,148,101	538.3	2,738,035	132.6	589,934
Working funds:						
CRPL	8.0	40,310	8.0	40,980	.....	670
Total, working funds	8.0	40,310	8.0	40,980	.....	670
Total, personal services	413.7	2,188,411	546.3	2,779,015	132.6	590,604
B. Other objects	.....	336,893	.....	889,000	.....	552,107
Total obligations	.....	2,525,304	.....	3,668,015	.....	1,142,711
IV. SAFETY AND SPECIAL RADIO SERVICES						
A. Personal services:						
1. Office of the Chief	10.0	68,422	11.0	77,045	1.0	8,623
2. Aviation	9.0	58,512	9.0	59,897	.....	1,385
3. Marine	10.0	65,171	10.0	66,712	.....	1,541
4. Public safety and amateur	8.0	53,491	8.0	54,756	.....	1,265
5. Industry and commerce	8.0	52,399	9.0	60,342	1.0	7,943
6. Authorization analysis	71.9	295,668	75.7	318,656	3.8	22,988
Total, Bureau	116.9	593,663	122.7	637,408	5.8	43,745
7. Hearings	.7	4,561	.7	4,561	.....	.....
Total, personal services	117.6	598,224	123.4	641,969	5.8	43,745
B. Other objects	.....	15,825	.....	17,000	.....	1,175
Total obligations	.....	614,049	.....	658,969	.....	44,920
V. BROADCAST						
A. Personal services:						
1. Other than application processing	31.2	191,207	26.2	161,507	−5.0	−29,700
2. Application processing	57.4	351,768	70.1	432,123	12.7	80,355
3. Application hearings	18.2	111,535	26.1	160,890	7.9	49,355
Total, Bureau	106.8	654,510	122.4	754,520	15.6	100,010
4. Hearings	12.6	82,097	18.7	123,675	6.1	41,578
5. Dockets	8.1	28,095	8.7	30,273	.6	2,178
6. Hearing assistants	8.1	57,877	11.9	86,280	3.8	28,403
7. Broadcast license	22.6	87,157	29.4	114,591	6.8	27,434
Total, activities	158.2	909,736	191.1	1,109,339	32.9	199,603
B. Other objects	.....	19,300	.....	22,000	.....	2,700
Total obligations	.....	929,036	.....	1,131,339	.....	202,303
VI. EXECUTIVE, STAFF AND SERVICE						
A. Personal services:						
1. Offices of Commissioners	35.6	262,380	35.6	262,380	.....	.....
2. Office of Information	4.0	24,453	4.0	24,453	.....	.....
3. Office of Administration	36.6	189,930	36.3	189,597	−.3	−333
4. Office of Chief Engineer	5.0	30,050	5.0	30,050	.....	.....
5. Office of General Counsel	21.4	139,679	21.2	139,433	−.2	−246
6. Office of Chief Accountant	22.4	137,493	22.1	137,251	−.3	−242
7. Bureau of Secretary	110.7	390,112	110.0	389,425	−.7	−687
Total	235.7	1,174,097	234.2	1,172,589	−1.5	−1,508

TABLE 1—Continued

Summary of requirements for personal services and other objects, by activity, and obligations payable out of reimbursements—Continued

Activity	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
VI. EXECUTIVE, STAFF AND SERVICE—continued						
Working funds: Conelrad:						
Office of Administration	0.6	$2,188	0.6	$2,295		$107
Office of General Counsel	2.0	12,162	2.0	12,239		77
Bureau of Secretary	1.0	3,145	1.0	3,229		84
Total working funds	3.6	17,495	3.6	17,763		268
Total, personal services	239.3	1,191,592	237.8	1,190,352	−1.5	−1,240
B. Other objects		174,721		190,000		15,279
Total obligations		1,366,313		1,380,352		14,039
Total, personal services	1,120.5	5,997,084	1,297.0	6,890,000	176.5	892,916
Total, other objects		608,466		1,185,000		576,534
Total, direct obligations		6,605,550		8,075,000		1,469,450
Working funds	35.6	231,750	39.0	254,000	3.4	22,250
Total obligations	1,156.1	6,837,300	1,336.0	8,329,000	179.9	1,491,700

TABLE II

Summary of requirements for personal services, by organization, and other objects, by object classification

Organization and object	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
01 Personal services:						
Offices of Commissioners	35.6	$262,380	35.6	$262,380		
Office of Formal Hearing Assistants	8.1	57,877	11.9	86,280	3.8	$28,403
Office of Formal Hearings	15.3	99,689	21.2	140,045	5.9	40,356
Office of Information	4.0	24,453	4.0	24,453		
Office of Administration:						
Office of Executive Officer	3.7	23,389	3.2	21,461	−.5	−1,928
Budget and Fiscal Division	17.3	79,034	17.4	78,177	.1	−857
Organization and Methods Division	6.0	33,261	5.3	31,521	−.7	−1,740
Personnel Division	9.6	54,246	10.4	58,438	.8	4,192
Total, Office of Administration	36.6	189,930	36.3	189,597	−.3	333
Bureau of the Secretary:						
Office of the Secretary:						
Immediate Office of Secretary	3.2	20,195	3.2	20,195		
Minute Branch	7.0	25,395	7.0	25,395		
Library	3.0	14,139	3.0	14,139		
Total, Office of Secretary	13.2	59,729	13.2	59,729		
License Division:						
Office of the Chief	5.0	23,858	5.0	23,858		
Broadcast license	22.6	87,157	29.4	114,591	6.8	27,434
Tabulating	8.0	28,929	8.0	28,929		
Total, License Division	35.6	139,944	42.4	167,378	6.8	27,434
Records Division:						
Office of Chief	4.0	16,014	4.0	16,014		
Docket Branch	9.0	31,217	9.5	34,348	0.5	3,131
Mail and Files	13.0	44,085	13.0	44,085		
Messenger Branch	16.7	46,709	16.4	46,709	−0.3	
Total, Records Division	42.7	138,025	42.9	141,156	0.2	3,131

TABLE II—Continued

Summary of requirements for personal services, by organization, and other objects, by object classification—Continued

Organization and object	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
01 Personal services—Continued						
Bureau of the Secretary—Continued						
Service Division:						
Office of Chief	3.0	$15,480	3.0	$15,480		
Procurement	9.0	31,330	9.0	31,330		
Duplicating	26.0	81,618	25.6	80,930	−0.4	−$688
Stenographic pool	5.0	16,800	5.0	16,800		
Telephone	7.8	25,561	7.8	25,561		
Total, Service Division	50.8	170,789	50.4	170,101	−.4	−688
Total, Bureau of the Secretary	142.3	508,487	148.9	538,364	6.6	29,877
Office of Chief Engineer:						
Immediate Office of Chief Engineer	19.3	115,991	19.7	118,679	.4	2,688
Technical Research Division	12.2	66,633	14.6	82,500	2.4	15,867
Frequency Allocation and Treaty Division	25.6	124,991	25.9	128,000	.3	3,009
IRAC	11.0	46,505	19.0	88,673	8.0	42,168
F. E. & M., departmental	52.9	277,206	58.3	293,538	5.4	16,332
F. E. & M., enforcement	187.1	994,196	200.0	1,021,095	12.9	26,899
F. E. & M., monitoring	165.7	876,699	280.0	1,423,402	114.3	546,703
Laboratory Division	15.3	89,093	18.3	99,017	3.0	9,924
Total, Office of Chief Engineer	489.1	2,591,314	635.8	3,254,904	146.7	663,590
Office of Chief Accountant:						
Immediate Office of Chief Accountant	3.5	27,115	3.5	26,690		−425
Accounting Systems Division	6.0	41,778	5.9	41,721	−.1	−57
Economics and Statistics Division	12.9	68,600	12.7	68,840	−.2	240
Total, Office of Chief Accountant	22.4	137,493	22.1	137,251	−.3	−242
Office of General Counsel:						
Immediate Office of General Counsel	8.0	56,667	7.9	56,556	−.1	−111
Litigation and Administration Division, departmental	11.4	70,458	11.3	70,323	−.1	−135
Litigation and Administration Division, field	2.0	12,554	2.0	12,554		
Total, Office of General Counsel	21.4	139,679	21.2	139,433	−.2	−246
Common Carrier Bureau:						
Office of the Chief	12.0	70,895	12.0	71,880		985
Telephone Division	35.8	227,445	35.0	233,201	−.8	5,756
Telegraph Division	14.8	91,288	14.0	89,997	−.8	−1,291
International Division	18.6	112,564	19.0	116,786	.4	4,222
Statistics Division	9.3	42,037	7.0	30,773	−2.3	−11,264
Field Division	31.5	193,380	27.9	182,728	−3.6	−10,652
Total, Common Carrier Bureau	122.0	737,609	114.9	725,365	−7.1	−12,244
Safety and Special Radio Services Bureau:						
Office of the Chief	10.0	68,422	11.0	77,045	1.0	8,623
Aviation Division	9.0	58,512	9.0	59,897		1,385
Marine Division	10.0	65,171	10.0	66,712		1,541
Public Safety and Amateur Division	8.0	53,491	8.0	54,756		1,265
Industry and Commerce Division	8.0	52,399	9.0	60,342	1.0	7,943
Authorization Analysis Division	71.9	295,668	75.7	318,656	3.8	22,988
Total, Safety and Special Radio Services Bureau	116.9	593,663	122.7	637,408	5.8	43,745
Broadcast Bureau:						
Office of the Chief	6.0	40,937	6.0	41,500		563
Aural Broadcast Facilities Division	32.0	176,301	32.0	178,400		2,099
Television Facilities Division	15.0	101,523	19.0	127,100	4.0	25,577
Rules and Standards Division	8.0	58,949	8.0	59,800		851
Hearing Division	11.8	85,694	23.4	154,220	11.6	68,526
Renewals and Transfer Division	34.0	191,106	34.0	193,500		2,394
Total, Broadcast Bureau	106.8	654,510	122.4	754,520	15.6	100,010
01 Total, direct personal services	1,120.5	5,997,084	1,297.0	6,890,000	176.5	892,916

TABLE II—Continued

Summary of requirements for personal services, by organization, and other objects, by object classification—Continued

Organization and object	1952 estimate		1953 estimate		Increase-decrease	
	Average employment	Amount	Average employment	Amount	Average employment	Amount
Other objects:						
02 Travel		$83,750		$118,000		$34,250
03 Transportation of things		18,000		25,000		7,000
04 Communication services		150,000		159,000		9,000
05 Rents and utilities		53,000		63,000		10,000
06 Printing and reproduction		30,000		30,000		
07 Other contractual services		60,000		75,000		15,000
08 Supplies and materials		130,000		158,000		28,000
09 Equipment		83,716		554,450		470,734
10 Land and structures				2,550		2,550
13 Refunds, awards, and indemnities						
Total other objects		608,466		1,185,000		576,534
Total, direct obligations		6,605,550		8,075,000		1,469,450
Obligations payable out of reimbursements:						
01 Personal services:						
Office of Administration:						
Personnel Division	0.2	729	0.2	763		34
Budget and Fiscal Division	.4	1,459	.4	1,532		73
Total, Office of Administration	.6	2,188	.6	2,295		107
Bureau of the Secretary: Service Division	1.0	3,145	1.0	3,229		84
Total, Bureau of Secretary	1.0	3,145	1.0	3,229		84
Office of Chief Engineer:						
Immediate Office of Chief Engineer	22.0	158,502	24.4	176,006	2.4	17,504
Technical Research Division	2.0	15,443	3.0	19,251	1.0	3,808
F. E. & M., departmental	1.0	5,929	1.0	6,010		81
F. E. & M., monitoring	7.0	34,381	7.0	34,970		589
Total, Office of Chief Engineer	32.0	214,255	35.4	236,237	3.4	21,982
Office of General Counsel:						
Immediate Office of General Counsel	2.0	12,162	2.0	12,239		77
Total, Office of General Counsel	2.0	12,162	2.0	12,239		77
Total obligations payable out of reimbursements	35.6	231,750	39.0	254,000	3.4	22,250
Total obligations	1,156.1	6,837,300	1,336.0	8,329,000	179.9	1,491,700

PAY INCREASE COSTS

Mr. THOMAS. In looking over the budget, I was not able to find any definite figure of what your pay increase for 1952 cost you. Do you have that figure before you?

Mr. HOLL. $488,900.

Mr. THOMAS. What part of that, if any, were you able to absorb?

Mr. COY. We did not absorb any of it.

Mr. THOMAS. So that you will be back for a deficiency during the current year, 1952, of approximately $489,000?

Mr. COY. That is correct.

PENDING DEFICIENCY REQUESTS

Mr. THOMAS. Do you have any other deficiencies pending or which are likely to be pending during 1952?

Mr. COY. That is a question I can hardly answer at the moment. It may be desirable when we get out of the freeze on television to raise a question about a deficiency. However, that depends upon how long a time it takes us to get out. It looks now like we might get out the orders about the middle of March. The next question is how long we will allow for filing applications before we start processing.

Mr. THOMAS. You intimated in one section of the budget there might be a deficiency for 1953 to take care of one of your big international meetings, is that correct?

Mr. ALLEN. There is to be a conference in Buenos Aires that is to be an implementation of the ITU meeting.

Mr. COY. And the Geneva meeting.

Mr. ALLEN. And the Geneva meeting.

Mr. COY. There has been no date set for that; is not that correct?

Mr. ALLEN. The Geneva implementation is going on right now. They are meeting almost every day.

Note: It is anticipated that the Buenos Aires meeting will be held in the fall of 1952.

Mr. THOMAS. What will be the anticipated cost of that?

Mr. COY. That is something we cannot tell. It depends a great deal on where those meetings are held and how many of them there are. The Geneva conference covered the subject matter of the fixed public service aviation marine and the frequency broadcasting in four different groups. The conference in Geneva reached an agreement on the implementation of the Atlantic City agreement but without fixing a date and leaving it to be accomplished voluntarily—in other words, by multilateral and bilateral agreements—so that there will be a series of meetings going on to accomplish this. That is the problem that we do not know now.

Those conferences were concluded in late December, so that we could not make an estimate at that time. Our people were not even home from Geneva at the time this budget was prepared. They have been home now only something like 6 weeks, and we are in the process of trying to get that work under way, and when it will come I would not know. We may not have to have one; but we may have to have one. It would be essentially for travel, I suspect, and for personnel if we have to have additional funds.

COMMON CARRIER ACTIVITIES

Mr. THOMAS. You have submitted us a performance budget, and your activities are broken down into six big activities. The first one is "Common carrier activities," where there are about seven jobs less in 1953.

We will insert the table on page 23 of the justifications in the record at this point.

(The matter above referred to is as follows:)

The following table shows by activity the actual average employment used in 1951, the average number available for 1952, and the estimated requirements for 1953 for common-carrier activities:

Activity	Average employment		
	1951 actual	1952 estimate	1953 estimate
1. Domestic telephone communications:			
(a) Rate regulation	56.1	49.8	47.6
(b) Service regulation	19.1	14.7	14.9
Total	75.2	64.5	62.5
2. Domestic telegraph communications:			
(a) Rate regulation	10.5	9.8	8.1
(b) Service regulation	17.8	13.0	13.4
Total	28.3	22.8	21.5
3. International communications:			
(a) Rate regulation	12.7	12.3	11.5
(b) Service regulation	10.5	10.2	9.7
(c) International telecommunications settlements	4.6	3.3	3.3
Total	27.8	25.8	24.5
4. Statistics	12.8	8.9	6.4
Total Common Carrier Bureau	144.1	122.0	114.9
5. Hearings and records	3.5	2.9	2.6
Total common carrier activities	147.6	124.9	117.5

REORGANIZATION

Mr. THOMAS. Is there anything unusual happening in that activity this year or anticipated in 1953?

Mr. COY. Yes; there is. In the first place, the Common Carrier Bureau of the Commission represents the fullest achievement of the Commission through the reorganization of this activity into a functional arrangement. When we started on this work of reorganization, this was the first activity we reorganized with a single head. If you will look at the personnel that have been involved in the common-carrier work over a period of years, in 1950, for example, it had 161; in 1951 it had 147; and this year we are down to 124 and are going to 117.5.

ACCOMPLISHMENTS

I would not want you to think we are doing all of the things we should be doing, but our accomplishments there have progressed even as the employment has gone down. We have, as a result of the reorganization, accomplished more with fewer people in a very constructive way. Within the past year I believe the most significant thing in the common-carrier field was that a year ago now we had put the long-lines rates of the A. T. & T., the interstate toll rates, into hearing, seeking an interim reduction in rates pending completion of the investigatory hearing on the number of matters going to the rate base.

During the year, the National Association of Radio and Utility Commission representing the States, in conference with the staff of the Commission, raised the question about the separation of the plant used in the total field between interstate and intrastate, because over a period of years the Federal rates have been going down and the State rates in total have been going up. It was our belief and the belief of the

States that there was a disparity in the separation of the plant chargeable to activities within the two jurisdictions. We made many efforts to try to find a new formula. It looked for a while like we would have to have legislation in order to do it, but we finally worked out a program of separation where they shifted about $90 million worth of plant from State jurisdiction into the Federal field and about $22.5 million worth of annual expenses from the intrastate to the interstate field.

The result of that was instead of a decrease in the Federal field, we had an increase in rates which go into effect on March 1; the shift of plant value out of the States is immediately effective in a large number of State rates cases; and the over-all result of the operation between the States and the Federal Government was to reduce the cost of toll services to rate payers, I believe, about $15 million to $16 million.

Mr. THOMAS. Were not you having many, many applications for increase not only on long lines but on local rates, too?

Mr. COY. The States have been besieged for increases of rates. We have not in the Federal jurisdiction on the telephone side been besieged.

Mr. THOMAS. You mean on the long lines?

Mr. COY. On the long lines. That is the only jurisdiction we have.

Mr. THOMAS. In other words, your jurisdiction only covers interstate and not within the State?

Mr. COY. Of course, the rates of the telephone company in the long-lines service had stood for many years, and it grew out of the old, old problem, significantly, because this represents—I won't say for the first time, because I do not know, but one of the few times—where cooperation between the States and the United States has resulted in the settlement of a problem without vindictive charges that we are violating State rights and this year that seems to have a little more significance than in an ordinary year.

APPLIED TECHNICAL RESEARCH AND FREQUENCY ALLOCATION

Mr. THOMAS. I notice in "Applied technical research and frequency allocation" you want to jump the employment from 78 in 1952 to 92 in 1953.

We will insert page 39 of the justifications in the record at this point, which gives a breakdown of your activities.

(The matter above referred to is as follows:)

The following table shows by activity the distribution of manpower used in 1951, available for 1952, and estimated for 1953.

Activity	Average employment		
	1951 actual	1952 estimate	1953 estimate
1. Radio-wave propagation	9.4	8.5	9.3
2. Technical studies and standards	12.1	10.8	13.9
3. Special technical studies	7.5	6.0	7.5
4. Technical consulting service	3.0	4.3	4.3
5. International radio broadcasting	1.0	.2	.2
6. Cartographic service	2.0	2.0	1.0
7. Frequency utilization and requirements	3.0	3.0	3.0
8. International conferences and treaties	8.8	8.5	8.0
9. Frequency registration and notification	15.8	14.1	14.9
10. Experimental radio services	2.6	1.0	1.9
11. Commercial radio operators	3.6	2.6	2.6
12. Restricted radiation devices	.5	.5	.5
13. Antenna criteria	1.5	3.0	3.7
14. Industrial, scientific and medical services	2.0	2.0	2.7
15. IRAC	9.6	11.0	19.0
Total	82.4	78.4	92.5
Financed by working funds:			
CONELRAD	1.8	19.0	21.4
CRPL	.7	2.0	3.0
Technical assistance	.7	3.0	3.0
Total	3.2	24.0	27.4
Grand total	85.6	102.4	119.9

IMPORTANCE OF RESEARCH

Mr. THOMAS. I notice you stress the importance of your research.

Mr. COY. We surely do, and I wish, instead of 92 people working in this field, we had about 292. The greatest loss we have is due to lack of information about how to utilize the radio frequencies and bring new parts of the spectrum that have not been developed into use to relieve congestion.

RESEARCH CONDUCTED BY INDUSTRY

Mr. THOMAS. How much research is industry doing in this field?

Mr. COY. I do not want to do them an injustice by saying it is only that which is to their own interest, but that is actually the case. It is very difficult to get the industry into an over-all program of research unless what they are doing is directly related to their own interest. Some of them do quite a large amount of it. The Radio Corp. of America and Bell Laboratories are doing the greatest amount of work in industry. A few other radio manufacturers are doing some, but they are doing a small amount of work. The greatest amount of research in this field is being done by the Government through the Military Establishment, the radio propagation laboratory, and a very small amount in our own place.

LOCATION AND NUMBER OF RESEARCH PERSONNEL

Mr. THOMAS. What are these 92; are they scientists, technical men, or what are they?

Mr. COY. Some are.

Mr. THOMAS. Where are they located?

Mr. COY. Out at Laurel in our laboratory out there is one large group of them, and we have a group of them over here in the Washington headquarters.

Mr. THOMAS. How many are there at the headquarters and how many at the laboratory at Laurel?

Mr. COY. In technical research there will be 14.6 in Washington, 18.3 in the laboratory; frequency allocation and treaty section, 25.9 in Washington; and in the Interdepartmental Radio Advisory Committee, 19.

Mr. THOMAS. Where are they located?

Mr. COY. That is in Washington. All of it is in Washington except the laboratory division of 18.3, which is at Laurel.

Mr. THOMAS. It looks like about three-quarters or a little better than three-quarters are in the District of Columbia. You do not have any laboratories here; do you?

Mr. COY. No. These are not all research people, either. The Technical Research Division on page 58 is research. Essentially they do planning work for the research people at the laboratory and research for other people's research. In other words, they have to keep abreast of the work that is done.

Mr. THOMAS. It looks like you only have 17 out of 92 doing actual research.

Mr. COY. That is not correct. That 14.6 are doing some research, but they are studying other research work as applied to our problem. The people doing research work in the laboratory, the 18.3, are actually doing research. Then our field staff is collecting data in connection with research projects. How many of them at any one time are doing that, it would be hard for me to say, but the laboratory lays out projects for the field researchers to collect data on. They have recording programs and interference going on; so, we have a large number of people engaged in research that are not shown here. They are shown in "Field engineering and monitoring."

FIELD ENGINEERING AND MONITORING ACTIVITIES

Mr. THOMAS. Let us look at the big increase in "Field engineering and monitoring activities."

At this point in the record we will insert pages 60 and 61 of the justifications.

(The matter above referred to is as follows:)

III. FIELD ENGINEERING AND MONITORING ACTIVITIES

A. GENERAL STATEMENT

The Field Engineering and Monitoring Division is the enforcement arm of the Commission on matters of radio emissions. It is charged with monitoring, inspecting, and investigating activities to insure compliance with the Commission's regulations, the Communications Act of 1934 as amended (47 U. S. C.), and applicable international treaties; it renders emergency and special engineering service to the public; it serves the public, radio stations, and Government agencies in the elimination of interference; it issues commercial radio-operator licenses; it brings authoritative Commission representation within easy reach of licensees and the general public; it is frequently approached by military and security organizations for assistance on radio problems which no other agency is equipped to handle. The budget herein outlines the need for expansion of the Field Engineering and Monitoring Division based upon specific requests for assistance and as a result of the rapidly expanding use of radio facilities.

The Field Engineering and Monitoring Division is comprised of the following units:

(1) 9 regional managers' offices;
(2) 23 district offices;
(3) 6 subdistrict offices;
(4) 3 ship offices;
(5) 11 primary monitoring stations;
(6) 7 secondary monitoring stations; and
(7) 1 supervision, technical, control, and common-services office (departmental)

Each of these units is described in detail in the paragraphs following:

(1) Regional managers' offices supervise and are responsible for coordination of the field engineering and monitoring operations and activities within their respective regions. Each such office has a staff of two employees.

(2), (3), and (4) District offices, subdistrict offices, and ship offices are responsible for enforcement of the Communications Act, Commission rules and regulations and applicable international treaties; for the inspection of radio stations of all classes—ship, broadcast, aircraft, police, taxicab, etc.; for conducting and grading radio-operator examinations; for the solution of problems of interference reported by licensees, Government agencies, and the general public; and for the handling of routine inquiries pertaining to the Commission and its functions.

(5) and (6) Monitoring stations function continuously to detect any illegal or clandestine operations, to give assistance to lost aircraft and surface vessels, to identify and solve cases of destructive interference, to make local investigations where no district or suboffice is nearby, to make engineering surveys and measurements necessary to the enforcement of radio laws and regulations. Each primary station has a complement of 13 to 15; each secondary has four employees.

(7) Supervision, technical control, and common services for the field engineering and monitoring operations are provided by the central office in Washington, D. C., which comprises the office of the division chief and the operating units of the departmental office. These units include the Inspection and Operator Examination Branch, the Monitoring Branch, the Technical Operations Branch, and the Administrative Branch.

Total manpower figures.—The average employment of the Field Engineering and Monitoring Division in 1951 was 426.7. Funds available for 1952 will support only 405.7. In 1953 it is estimated that this Division will require an average employment of 538.3 to meet minimum requirements for the satisfactory performance of its duties and obligations.

The following schedule shows a breakdown of the actual average employment for 1951 and our estimates for 1952 and 1953:

Activity	1951 actual	Average employment	
		1952 estimate	1953 estimate
1. Enforcement	227.5	209.1	222.0
2. Monitoring system	180.2	179.6	299.3
3. Supervision, technical control, and common services	19.0	17.0	17.0
Total	426.7	405.7	538.3
Conelrad	1.7		
CRPL project [1]	1.7	8.0	8.0
Total	430.1	413.7	546.3

[1] Special project for Central Radio Propagation Laboratory, Bureau of Standards.

B. ESTIMATE AND JUSTIFICATION BY ACTIVITY

1. Enforcement

The Field Engineering and Monitoring Division has 32 enforcement offices, (23 district offices, 6 district suboffices, and 3 ship offices) located in strategic cities throughout the United States. The workload of these offices is increasing steadily; additional manpower will be required to meet demands for their services, especially investigation work. This will provide a balanced program in connection with expanded monitoring and national defense activities.

Summary of enforcement activities

Activity	1951 actual	Average employment	
		1952 estimate	1953 estimate
(a) Ship inspections	45.0	42.3	42.3
(b) Broadcast, land and aircraft inspections	32.9	25.0	25.0
(c) Radio operator examinations	53.0	47.0	47.0
(d) Investigations	60.1	60.1	73.0
(e) Engineering studies and measurements	17.4	15.6	15.6
(f) Public service (assistance, information, etc.)	20.1	19.1	19.1
Total	228.5	209.1	222.0

PERSONNEL ASSIGNMENTS

Mr. THOMAS. In this breakdown for the Field Engineering and Monitoring Division, I notice you have some 60 offices. There are 9 regional managers' offices, 23 district offices, 6 subdistrict offices, 3 ship offices, 11 primary monitoring stations, 7 secondary monitoring stations, and 1 supervision, technical control, and common services office, which is listed as departmental, to the tune of 538 positions. How many of those are in the District of Columbia in your office here?

Mr. TURNER. Seventeen. In supervision and control there are 17. The other people are operational and are related to field activities alone. Page 61 shows the total distribution of the personnel assigned to Field Engineering and Monitoring.

Mr. THOMAS. How many of these in your 60 monitoring activities units are assigned to the District of Columbia and how many to the field?

Mr. TURNER. Seventeen in departmental and supervisors and control the housekeeping activities. We have in the departmental service 38—the difference between 17 and 55—that are related to the various activities carried on in the field, such as ship inspections, broadcast land and aircraft inspections, operator examinations, and so forth.

Mr. THOMAS. And according to your figures now, there are only 17 out of 55 in the District of Columbia.

Mr. COY. Seventeen of them are supervisors of common services, and the rest, the 38, are in the central offices for the field activities, performing field activity functions.

MONITORING

Mr. THOMAS. Of course, this is broken down into two big activities—enforcement and monitoring. Enforcement is 222 as against 299 for monitoring. As well as I remember, you have 11 primary monitoring stations and 7 secondary monitoring stations.

You want to add four more stations and for complete equipment for the four stations you want in the neighborhood of $307,000 plus another $250,000 to replace worn-out equipment in all of the stations.

Mr. COY. That is correct. As a matter of fact, those figures are almost comparable to the supplemental we had last year. There is an increase in the Enforcement Section——

NEED FOR MORE MONITORING ACTIVITY

Mr. THOMAS. Getting back to your monitoring, where perhaps is your biggest increase, it jumps from 179 in 1952 to 299 in 1953, or an increase of about 120. Just what is the urgency in 1953 that does not exist in 1952 in respect to the field of monitoring?

Mr. COY. The same thing existed in 1952 and is existing now and will exist in 1953. The number of monitoring stations which we have and our lack of ability to staff those stations on a full 24-hour 7-days-a-week basis has created what we believe is a major crisis in the national defense aspect.

Mr. THOMAS. We are getting by pretty well from the national defense point of view in 1952, and do not you think we can wiggle along the same way in 1953? I mean is there any more urgency that is going to exist in 1953 than exists in 1952?

Mr. COY. Yes; there is more urgency.

Mr. THOMAS. Of course, if we get into an all-out war, you are going to have to have a number of stations, approximating the number you had in 1945, which was 25, as I remember.

Mr. COY. 1953 will be a more critical year unless there is peace in the world, because the longer you go along with this number the more difficult it is, the more efforts are made to use illegal stations in this country for the purpose of reporting on espionage activities in this country.

ILLEGAL RADIO AND TELEVISION STATIONS

Mr. THOMAS. What were the activities of the Commission in the first 6 months of 1952 with regard to clandestine stations or attempts to set up stations and so forth? Give us a little, brief run-down on your activities in that regard.

Mr. COY. We have a small amount of time in each of our monitoring stations devoted to cruising the spectrum to look for illegal stations. We think it ought to be much larger in view of the international situation. We have an inadequate number of stations to get fixes on illegal stations and to give assistance to lost ships and lost airplanes. That is another reason for additional stations. Those needs exist right now.

Mr. THOMAS. That is for ships and airplanes. We are talking about national defense.

Mr. COY. That is part of the national defense—ships and airplanes—because there is an increasing number.

Mr. THOMAS. Have you found any illegal stations, clandestine stations, so far in 1952, for the first 5 or 6 months?

Mr. COY. Yes; we have found illegal stations—quite a large number of them. Not all of them by any means are by foreign agents in this country.

Mr. THOMAS. How many illegal were there that were discovered in the first 6 months of 1952, and how many of them were clandestine?

Mr. TURNER. From July 1 through January we have found 72 illegal radio stations. No clandestine stations have been found in this country. There have been stations found in this hemisphere that have been reported to the American AFSA—that is the Armed Forces Security Agency—and also to the CIA, the Central Intelligence Agency.

Mr. COY. One of those clandestine stations—at least, one that we believe to be that—was found aboard ship just off the coast of lower California, which we had traced through findings through the Panama Canal and up the coast.

Mr. THOMAS. When you discover those outside the continental United States or outside our possessions or outside the 3-mile zone, all you can do is to find them, and that is about all; you have no jurisdiction over them.

Mr. COY. Except this was on board an American ship.

Mr. THOMAS. It was a clandestine station?

Mr. COY. Yes.

Mr. THOMAS. That is 1 out of 72.

Mr. COY. That is one I happen to remember. But that does not mean it was not important that the 71 that were found be apprehended.

Mr. THOMAS. What was the nature of the other 71 stations; were they little ones?

Mr. COY. We have a number of illegal broadcast stations, a number of illegal television stations. We have people building television stations without permits and operating them in the country, including one by a manufacturer.

Mr. THOMAS. Were they small stations?

Mr. COY. No; just the same as commercial stations?

Mr. THOMAS. That was in the field of television?

Mr. PHILLIPS. Probably they got tired of waiting.

Mr. COY. They probably did.

Mr. THOMAS. You mean out of your 72 illegal stations, 1 was a television station?

Mr. COY. There were more than one.

Mr. TURNER. We must have had 12 or 15.

Mr. THOMAS. As to these illegal stations, numbering some 70 or 71, in truth and in fact, are not they usually stations put up by amateurs?

Mr. COY. Not at all.

Mr. THOMAS. Or by some engineer who is doing it for his own entertainment and so forth?

Mr. COY. It is being done; as I say, one by the Sylvania Manufacturing Co. of Pennsylvania.

Mr. THOMAS. That was a TV station?

Mr. COY. That was a TV station. And the other TV sations were put up by engineers—not by amateurs but by people who ought to know better and did know better, but they took a chance on it and created interference with television service legally established and other service.

Mr. THOMAS. What about the illegal radio station; is it not generally a little teapot station put up by some engineer or novice for his own entertainment?

ILLEGAL RADIO STATIONS USED FOR GAMBLING ACTIVITIES

Mr. COY. Once in awhile it is that way, but for every one like that you get a dozen cases of fellows who are trying to beat the bookies at the race tracks by operating radio stations which they carry around with them to get information out of the track to some fellow on the outside so that they can use them either for the bookies or in trying

to beat the bookies. We have had to move both ways there. Some tracks have denied access to news reporting services at their tracks.

Mr. THOMAS. What part had their origin by virtue of various types of gambling activities?

Mr. COY. I expect 15.

Mr. THOMAS. All types of gambling—race horse and so forth?

Mr. COY. Practically all race horses. About 15 out of 70 would be that sort of thing.

Mr. TURNER. That is right. The race track is gambling also. We detected an illegal station down in Louisiana.

Mr. THOMAS. What percentage would be race tracks?

Mr. COY. About a fifth, I think.

Mr. THOMAS. About a fifth would be race track, and all gambling activities would be about 15 to 16?

Mr. COY. We have devoted a large amount of time, Mr. Chairman, to looking for illegal stations that we have not found that we do not even know exist.

RADIO SPECTRUM

Mr. THOMAS. It has been my observation that if one bobs up in X area, we Members are going to be notified as well as you, because the local broadcasting radio and television industry will certainly detect it and will scream their heads off immediately.

Mr. COY. That would be for only broadcast part of the spectrum that you are concerned about, but when you get up into other frequencies where the broadcast receivers won't pick it up, they would have no way of detecting it.

Mr. THOMAS. You are alluding now to frequencies set aside for the armed services?

Mr. COY. Not necessarily, but the rest of the radio spectrum. It would include everything in the radio spectrum.

If I may go off the record for just a moment, I would like to refer to some things we have been doing.

(Discussion off the record.)

ACTION ON ILLEGAL STATION OPERATED BY A FOREIGN AGENT

Mr. ANDREWS. What action could you take if you found a clandestine station of a foreign agent?

Mr. COY. Shut them up as an illegal operation and take them off the air. They have no right to be operating in this country without a permit to operate. They do not have a sovereignty here; so that we would be shutting them up very quickly. However, we probably would not do that but would let them run and see what kind of intelligence material was going out over them.

SAFETY AND SPECIAL SERVICES

Mr. THOMAS. What about "Safety and special radio services"? That is a field that is growing—radio stations for truck lines, bus lines, police stations, ship to shore, people doing business 5, 10, and 15 miles off-shore. What is the general picture there?

Mr. COY. The general picture there is that we are getting more applications in those services than we can process with the number of people we have.

BACKLOG

Mr. THOMAS. Where is the backlog? You say the applications received in 1951 totaled over 109,000 and are expected to go to 135,925 in 1952 and approximately 145,000 in 1953. In terms of days, how far are you behind in processing those applications?

Mr. COY. How much would you say in terms of days, Mr. White?

Mr. WHITE. In all except amateur, they are running about a month behind, except for special cases that involve antenna surveys, frequencies, and so forth. In amateur services, they are working now on last August renewals and January modifications and new licenses.

Mr. THOMAS. How many have licenses now in this commercial field?

Mr. WHITE. As of December 31, 192,244 systems were licensed. That increased 4,381 during January, making a total of 196,625 as of the end of January. That probably represents more than a quarter of a million, if not half a million, transmitters. We do not know exactly.

We have a backlog of applications as of the end of January of 13,657. Of those 196,000 stations, 104,000 are amateur.

Mr. THOMAS. So when you get rid of your backlog pending in January of 13,000 applications, assuming you grant all of them, you will have in the neighborhood of about 210,000 stations, and that may be half a million by the time you get through. Are you going to have enough channels now to take those additional 145,000 applications?

CONTINUING REGULATORY WORK

Mr. COY. That leads us to the other major aspect in this field and every other field we have of what we call continuing regulatory work. It goes to the question of revising the Commission's rules and procedures and standards of good engineering practice. For example, we may have services in this particular field where we are operating on 60-kilocycle separation between stations, where with improved equipment we can bring that down to a 40-, 30-, or even 20-kilocycle separation and increase the use of the spectrum which we have.

Mr. THOMAS. What I am trying to get at is whether there is any limitation on the number of channels you can have in this particular field.

Mr. COY. Yes; there is.

Mr. THOMAS. Have you about reached the saturation point now with your 210,000 stations?

Mr. COY. The general situation is that we reach saturation more quickly in the large centers of population like New York, Chicago, and Los Angeles than we do in the rest of the country, and in the marine services at those same places.

Mr. THOMAS. Would you say, generally and broadly speaking, that with these 210,000 stations you will have set up as of now it represents anything like an approach to saturation in that field?

Mr. COY. It does until you are able to revise your rules to provide for a greater utilization of the spectrum by putting your stations closer together. You can in that way increase your utilization and get more stations. Or you may have to bring into play frequencies in another part of the spectrum for more service. Some of our service we now have is in three different bands. They started in with 50 megacycles, then went to 150, and then to 160, and now we are in the 400-megacycle band in certain services.

APPLICATIONS

Mr. THOMAS. You indicate your workload for 1953 in this particular field will be from 143,000 to 145,000 applications. What of that is renewals and what part is for extensions or for new applications? I cannot imagine that all of the 145,000 would be new applications.

Mr. WHITE. It is a little hard to tell what proportion will be modifications and what will be new stations. We did have 4,000 new stations as of January. Our application load for the first 6 months of 1950, compared with the first 6 months of 1952 was: 1950, 46,959; 1951, the same period, 69,023. There is no indication of any drop-off in applications. If anything, they show an increase.

Mr. THOMAS. Those are new applications?

Mr. WHITE. These are applications of all kinds.

Mr. THOMAS. I am trying to get some reasonably firm figure of the renewals, modifications, and new applications.

Mr. WHITE. The renewals are practically nil.

Mr. THOMAS. When you grant an application in this particular field for a police car, truck, bus, or ship-to-shore, for how long is that license granted?

Mr. WHITE. Normally for five years. I would say probably one-third of the applications represent new systems entirely. Most of the remaining two-thirds are additional equipment, expansions of systems, and replacements of equipment by more modern equipment. In January, of the 6,000 or so nonamateur applications received, only about 300 were renewals.

LENGTH OF TIME TO PROCESS AN APPLICATION FOR LICENSE

Mr. THOMAS. Suppose here is a police or city council seeking a station for police cars or the operator of a fleet of trucks, busses, or what-not and suppose it is either for a modification, expansion, or an entirely new application for a license. How long does he have to wait from the minute he gets his application filed until it is acted on either favorably or unfavorably? I understood you to say awhile ago about 30 days.

Mr. WHITE. We have in the total number of applications a backlog of only 184 that are 4 months old. At the present time in the police field applications that do not raise complications will get attention in about 30 days with the present backlog. However, if it is an antenna question, if the antenna may be a hazard to navigation, that group is 5 weeks behind. It takes five weeks before they even look at the thing, they are so far behind in that group. If it is a question of clearance of the frequency with the military, you have difficulties there as well. The time that takes is indeterminate.

Of those 184 cases over 4 months old, we have about six awaiting hearings, and the rest are tied up in discussions in our Commission for clearing the frequency, clearing station sites, and so forth.

CHANGES DUE TO REORGANIZATION

Mr. THOMAS. I notice on this organization chart "Safety and Special Radio Services Bureau." In the study of reorganization by your own staff and an outside firm, what changes, if any, were made in this particular Bureau?

Mr. COY. A great many changes were made. As a matter of fact, the changes were comparable to the Common Carrier Bureau or Broadcast Bureau. Previously it had been under the jurisdiction of the professional staff of the Commission, the chief engineer, general counsel, and the chief accountant. The major change that was made was that activities of the Safety and Special Radio Services Bureau were put under the direction of the Chief of the Bureau, Mr. White, so that we have a single direction, and we have, we believe, much greater capacity to program our activities than we had when we had a divided leadership among the professional bureaus.

DISTRIBUTION OF WORK

Mr. THOMAS. The extensions, modifications, and applications for new service are all handled in the District of Columbia; are they not?

Mr. COY. They are, except operators. Everything else is here in the District of Columbia.

Mr. THOMAS. The licensing of operators is done in the field by the Field Engineering and Monitoring Division?

Mr. COY. Yes.

Mr. THOMAS. Would you save any time by having this other work done in the field?

Mr. COY. We would not. We could not.

Mr. THOMAS. Have you given careful study to that?

Mr. COY. We have. It is just an impossible problem to have information flowing to the field about available frequencies for assignment to particular applicants with the staff we have and would probably result in a loss of time.

Mr. THOMAS. Rather than saving time?

Mr. COY. Rather than saving time. I am convinced of that myself. I have not asked Colonel White, but I think he would say the same thing, because it is just impossible to keep information flowing to the field fast enough to be of any benefit in granting applications—information about frequency utilization.

Is not that right?

AMATEURS AND THE LEGITIMATE COMMERCIAL INTERESTS

Mr. WHITE. Yes. It is even deeper than that. For example, the amateur applications, which is the biggest part——

Mr. THOMAS. What do you mean by "amateur" now?

Mr. WHITE. Amateur stations. We have an average intake of around 5,000 applications a month from amateurs all over the country.

Mr. THOMAS. In other words, they are not people who are engaged in any particular type of business?

Mr. WHITE. No; but people doing radio research and radio communication as a hobby, mostly. It is one of the older of the services. I think it is the third- or fourth-oldest service, and it is the largest service of any of them. They have 104,000 amateurs right now, and we have 9 people handling those 5,000 applications.

Mr. THOMAS. Are not you fast reaching the point where industry may require some of the time now allocated for use by amateurs?

Mr. COY. I should say not. They are worth more than the whole confounded industry.

Mr. THOMAS. How do you mean?

Mr. COY. They have done more of the pioneering work and made possible more commercial developments here than anybody else in this country. I think the amateurs ought to get a Congressional Medal of Honor in the communications field, if we could have one.

Mr. THOMAS. But here is a businessman operating a fleet of trucks, and he wants to get a new station or a modification of a station, and here in that particular field his biggest competitor in point of time is the amateur who is playing around with this thing for his own amusement and benefit.

Mr. COY. Let me put it in several other ways. One, this service is so good that the military want it and have established their own amateur service of their own service personnel, directed at their own research kind of problems. The next point in the matter is that this is the greatest emergency resource in communications that this country has.

Mr. THOMAS. I understand that, but what I am getting at is are not you reaching the point of saturation where you are going to have to take a look at this in future programs?

Mr. COY. Not at all. If I were speculating and, say, I would be at the Commission for the next 30 years, which I hope would be an expectancy of mine—I would just like to live that long—I hope I could say to you now that I would never be one who would take the amateurs off the air.

Mr. THOMAS. There is no conflict of interest in point of time, saturation, or anything between the amateurs and the legitimate commercial interests?

Mr. COY. Yes; there is a conflict.

Mr. THOMAS. There is a conflict?

Mr. COY. Surely. A fellow's special interest is always in conflict with the public interest, and the private guy who wants to use something for his special interest as against the general interest is always yapping that the amateur has too much space. At least, we hear that every now and then.

Mr. THOMAS. If there is any conflict, then, the business interests are making a sacrifice; are they not?

Mr. COY. We think we can take care of them in other parts of the spectrum adequately. We think we can take care of every legitimate need of the American businessmen which we believe serves the public interest. We have not denied them; we have set up services for them. We are continually setting up new services. We have ahead of us a

pretty dreary outlook of ever getting through with all of them. They pile up faster than we can get through. But when they tell us they can only operate their service by taking away the amateur frequency, we are not for that.

APPLICATION PROCESSING WORKLOAD

I would like to call your attention to page 94 on special services, to the summary at the bottom of the page. Here, I think, is a direct result of the reorganization. That is a summary of application processing workload. In 1951 the productivity rate of application processing was 1,437; in 1952, the current year we are in, we estimate it to be 1,830, and in 1953 we believe it will be 2,040.

Mr. THOMAS. We will insert that table in the record at this point.

(The matter above referred to is as follows:)

(1) *Summary of application processing workload*

	1951 actual	1952 estimate	1953 estimate
Applications pending beginning of year	6,113	11,606	26,527
Applications received	109,381	135,925	144,900
Applications disposed of	103,888	121,004	142,800
Applications pending June 30	11,606	26,527	28,627
Average personnel required	72.7	66.2	70.0
Productivity rate	1,437	1,830	2,040

Mr. COY. We have unified the application processing in the one unit of Safety and Special Radio Services Bureau and are showing this gain in productivity.

Mr. WHITE. I have some figures that may be of interest. In January of 1951, a year ago, during that month we averaged 3.1 applications produced per man-day in other than amateur and 10.5 a day in amateur. This January, the same man-day that produced 3.1 is now producing 5.5, and in January 1952 the amateur man-day now is producing 26.9 cases instead of 10.5. In the one case it is almost treble.

Mr. THOMAS. How do you account for that miraculous stepup in output?

Mr. COY. It is the unification of application processing in one unit.

Mr. WHITE. Specifically, it is new forms, better procedures, better training, better morale.

Mr. THOMAS. You are certainly to be commended for that fine showing.

BROADCAST ACTIVITIES

Now let us look at broadcast activities. You want to step up your employment from 158 in 1952 to 191 in 1953.

We will insert all of page 98 and through the second paragraph on page 99 in the record at this point.

(The matter above referred to is as follows:)

V. Broadcast Activities

A. GENERAL STATEMENT

The Commission's 1953 budget for broadcast activities requests an increase of 32.9 in average employment over the 1952 allotment to this activity. We believe that this increase, the bulk of which will be required for handling the flood of applications to be filed for television facilities when the freeze is lifted during the latter part of 1952, represents a particularly restrained and conservative request. The following analysis of the requested increase shows the amount requested for each separate activity:

Increase in average employment requested for 1953

TV application processing	19.5
TV application hearings	34.2
Total TV	53.7
AM application processing	----
FM application processing	----
Renewal application processing	----
Transfer application processing	----
Total non-TV application processing	0
AM, FM, renewal, and transfer hearings—total	15.8
Broadcast activities other than application processing	5.0
License division	6.8
Records division	.6
Grand total	32.9

The past 6 years have witnessed the almost incredible expansion in the aural broadcast industry—from under 1,000 AM stations in 1945 to the present day 2,400 AM stations and 700 FM stations serving the Nation's 100 million radio sets. The bulk of the Commission's efforts during most of this period has been concerned with the processing and ultimate disposition of the many thousands of applications filed in the aural services in order that the Commission would not be a road block in the growth and development of these services in the public interest.

Undoubtedly, the continued interest in and demand for aural broadcast facilities during this period, to a large degree has been stimulated by the ban on television station construction which the Commission found necessary to impose on September 30, 1948, in order that the basic engineering standards governing the development of this service would be sound and provide for optimum service to the public as this industry expanded. That television will soon be the dominant communications medium in the United States is borne out by the unmistakeably clear facts of its growth during the first few years of its life despite the formidable opposition of established competitive media (radio, newspapers, etc.) which was further heightened by the inability of the TV industry to expand during the "freeze" period. Since 1946 over 13 million families paid out over four billion dollars for TV receiving sets. The 108 TV stations authorized prior to the freeze are now all on the air and their combined service areas embrace roughly 50 percent of the Nation's families. By mid-1951, national advertisers were spending almost as many dollars to reach the Nation's limited TV audience as they were spending on Nation-wide radio broadcast facilities. Over 400 applications for new TV stations are on file with the Commission, almost half of which have been filed in the freeze period during which the Commission discouraged the filing of new applications.

The Commission is now entering the last stage of the proceedings necessary to lifting the television freeze. It is anticipated that the final TV order lifting the freeze can be issued by about February 1, 1952. It is our considered estimate that more than 500 applications for new TV stations will be filed within 17 months after this date. It thus becomes clear that 1953 will be a critical year in the orderly growth and development of TV broadcast service in this country. The Commission can aid and stimulate this expected growth by the provision of adequate staff to handle the already substantial pending workload plus the anticipated incoming workload during 1953. Inadequate staff can only retard this growth and act as a disservice to the public which in many areas has been eagerly awaiting the establishment of television service in their localities.

APPLICATIONS FOR TV, FM, AND AM STATIONS

Mr. THOMAS. The significant thing here is that after you lift your freeze on TV, which you state here to be February 1 and which you now estimate will be March 15, you will have in the neighborhood of 500 applications for TV. I notice your applications for new stations now for FM and AM are certainly falling off. In 1948 new applications for AM stations were 385, and that dropped down to 242 in 1950, 216 in 1951, 200 in 1952, and you estimate it will drop down to 150 in 1953.

Actually for the first 6 months of 1952 how many applications have you received for new AM stations?

Mr. COY. One hundred and thirteen was the figure for 7 months.

Mr. THOMAS. So that your estimate of 200 will be reasonablly accurate?

Mr. COY. Well, it is on the low side.

Mr. THOMAS. We will insert the table in the middle of page 107.

(The matter above referred to is as follows:)

The following table shows the actual number of each type of application received during 1948, 1949, 1950, and 1951, together with our estimates of each type to be received in 1952 and 1953.

	Actual			Estimated		
	1948	1949	1950	1951	1952	1953
New AM stations	385	193	242	216	200	150
Major change in AM facilities	320	240	266	223	175	150
Total	705	433	508	439	375	300

Mr. THOMAS. This shows that all types of applications will drop from 705 in 1948 to 300 in 1953. Of course, that is about a 25-percent drop from 1952.

FM APPLICATIONS

Now, turning over to page 110, on your FM applications for new stations, you have 74 listed in 1949, 41 for 1950, 35 for 1951, 35 for 1952, and 35 for 1953.

We will insert the table at the top of page 110.

(The matter above referred to is as follows:)

FREQUENCY MODULATION (FM)

(a) *Forecast of applications received.*—The following chart shows actual receipts of FM applications for new stations and major changes in facilities during 1949, 1950, and 1951 and our estimates of receipts for 1952 and 1953.

	Actual			Estimated	
	1949	1950	1951	1952	1953
New FM stations	[1] 74	[2] 41	[3] 35	35	35
Major changes in FM facilities	104	[4] 134	[5] 133	100	100
Total	178	175	168	135	135

[1] 43 commercial, 31 noncommercial.
[2] 16 commercial, 25 noncommercial.
[3] 17 commercial, 18 noncommercial.
[4] 119 commercial, 15 noncommercial.
[5] 101 commercial, 32 noncommercial.

Mr. THOMAS. What is your actual number of applications received for new FM stations in the first 6 months of 1952?

Mr. COY. For the first 7 months, it was 15. It looks like the 35 estimate may be high.

Mr. THOMAS. Certainly the 35 estimate for 1953 will be high; will it not?

Mr. COY. It might not be.

PERSONNEL REQUIREMENTS FOR 1953

Mr. THOMAS. Looking at the table of employment, whereas the stations are falling off from 1951 to 1952 to the extent of at least 25 percent, your employment from 1951 through 1952, instead of falling off 25 percent, has increased perhaps 11 percent. So your figures do not jibe unless you anticipate——

Mr. COY. On page 111 it shows in 1951 we had 6.9 people and in 1952 we now have five people. That is a decrease of 1.9 instead of an increase.

Mr. THOMAS. I am talking about your anticipated request for 1953 against 1952. Unless you anticipate using that 10-percent increase in personnel against the 25-percent decrease in AM and FM stations in the field of TV, your justifications do not quite jibe.

Mr. COY. I am at a little loss to understand that.

Mr. THOMAS. In other words, your FM and AM load is drastically falling off. Why cannot you shift that personnel over to TV without any increase in personnel? It is obvious you have to have people working on those 500 applications for TV stations in 1953. The question is, since your FM and AM applications have fallen off 25 percent, why cannot you use that 25 percent of personnel in taking care of this new workload that is going to drop in your lap?

Mr. COY. If you will go back to page 98, that shows exactly what we have done. We show a reduction of 15.8 people in "AM, FM, renewal, and transfer hearings" and in all other broadcast activities except application processing, a decrease of five, or a total decrease of 20.8.

Mr. THOMAS. Your entire figure for that Bureau of Broadcast Activities has increased from 176 in 1951 to an anticipated 191 in 1953. You have three workloads there—FM, AM, and TV. Your TV only comes into operation in 1953. Your FM and AM from 1951 to 1953 have fallen off 25 percent. The question I am raising is why cannot you take that 25 percent and add it to your TV without increasing the personnel throughout your Bureau. That ought to be clear.

Mr. COY. That is clear, but it is impossible because the television work load is bigger than that, and the chart on page 98 shows we are utilizing all of the reduction in AM and FM services and applying it to television, and subtracting that from the total number of people we propose to have in television in order to get the net increase of 32.9 people. We are agreed except on the 32.9.

Mr. THOMAS. How many people will it take to handle your TV load in contradistinction to the FM and AM loads of new applications?

Mr. COY. This estimate says 53.7 people to handle the TV load plus license and records, 6.8—about 60 people.

LENGTH OF TIME TO PROCESS AN APPLICATION FOR AM STATION

Mr. THOMAS. Now will you look at your other obligations?

Mr. ANDREWS. Before you leave that, may I ask how long does it take to grant or refuse an application from the time it is filed?

Mr. COY. In what service?

Mr. ANDREWS. For an AM station.

Mr. COY. Today an application filed with us an AM station would go on our processing line, and I believe we are at least 6 months behind. That would be only in the event it stayed on the line and did not go into hearing. If it went into hearing, it is a longer period than 6 months. That 6 months estimate is pretty good on the processing line.

Or is that too low?

Mr. KITTNER. That is too optimistic, I believe. At the end of February the backlog was about 10 months.

Mr. ANDREWS. I have a constituent who has had an application down there for over a year and no action has been taken

Mr. COY. Is he in hearing?

Mr. ANDREWS. He just filed his application.

Mr. COY. Do you know whether he is in hearing?

Mr. ANDREWS. No; I do not. I checked down there, and the last I heard from him he was No. 17.

Mr. COY. What Mr. Thomas and I have been talking about here is the fact that our applications are going down, and we should be taking those people off, but the fact is we do have a tremendous backlog of applications down there.

Mr. THOMAS. The point Mr. Andrews is raising is a very interesting point. With reference to FM, AM, and TV new applications, just what part of them are contested? There is the criterion that determines your workload. If you have to go into hearing, you prolong those things for at least some weeks.

Mr. ANDREWS. My man is not in hearing. All he has gotten is a number for the application that he filed.

Mr. COY. I wish we could grant them in 30 days. We have asked for that kind of appropriations from time to time from the Bureau of the Budget, but we never gotten approval there for what we believed was enough to keep us in a 30-day status.

Mr. THOMAS. In the 500 or 510 TV applications you expect as soon as you lift the freeze, what part are going to be contested—99 percent, would you say?

Mr. COY. Ninety percent, probably, would be as good a guess as anybody could make at the moment. It depends——

Mr. THOMAS. In the case Mr. Andrews raised, is that in contest?

Mr. ANDREWS. I do not know. He has not reached that stage, I believe.

Mr. THOMAS. He has never been notified whether there is a protest or what?

Mr. COY. If it is on the processing line, it is not a contest. I can tell you that without knowing whether there is a contest.

Mr. ANDREWS. Last September, I think he was 35, and as of the 1st of January he went to 17. What does that mean?

Mr. COY. That means we are getting close to you.

Mr. ANDREWS. We have a little hope and faith as long as the numbers come down toward 1.

Mr. COY. Sometimes they run in the other direction, and the reason for that is that cases which have earlier numbers have gone into hearing and the reason they went into hearing has been dissolved. That is, they may be in hearing with an applicant with four or five others that are mutually exclusive and could not be granted because of one fellow in there. He falls out or drops out, and then all of those go back on the processing line in the order in which they were filed with the Commission. So, if you were 17 and there were three or four who had earlier numbers than the fellow you are talking about, he would go back to 21 in that kind of a situation.

FM APPLICATION BACKLOG

Mr. THOMAS. Take the FM stations where you anticipate 100 applications in 1953—and certainly you won't have that many, based upon 1952. How much of a backlog do you have in those?

Mr. COY. About 30 days.

Mr. THOMAS. In terms of numbers—how many applications?

Mr. COY. Twenty-four FM.

AM APPLICATION BACKLOG

Mr. THOMAS. What about AM? You anticipate you will have 150 new applications in 1953 and 200 in 1952—and certainly you won't have 200 in 1952.

Mr. COY. There are 311 pending right now at the end of January. There were 311 new station applications in the AM field pending at the end of January.

Mr. THOMAS. How long have they been pending?

Mr. COY. They have been pending there from 1 day to several years.

Mr. THOMAS. What is the average length of time to dispose of one of them?

Mr. COY. Right at the moment, we are about 10 months behind on the processing line.

OTHER OBLIGATIONS

Mr. THOMAS. At this point in the record we will insert page 150 of the justifications, dealing with other objects.

(The matter above referred to is as follows:)

OTHER OBLIGATIONS

A. SUMMARY

The estimates shown in the following pages for nonpersonal service items amount to a figure which is slightly over 10 percent of the total appropriation requested. This year, we have increased the amount requested for most object classifications to provide primarily for expanded monitoring and investigative activities and the "Conelrad" program.

The following schedules set forth the distribution of nonpersonal services obligations and the estimates by object class and by major activities.

	1951 actual	1952 estimate	1953 estimate
BY OBJECT			
02 Travel	$85,439	$83,750	$118,000
03 Transportation of things	20,351	18,000	25,000
04 Communications services	151,063	150,000	159,000
05 Rents and utilities	60,412	53,000	63,000
06 Printing and reproduction	34,300	30,000	30,000
07 Other contractual services	91,784	60,000	75,000
08 Supplies and materials	136,505	130,000	158,000
09 Equipment	111,328	83,716	554,450
10 Land and structures			2,550
13 Refunds, awards, and indemnities	123		
Total	691,305	608,466	1,185,000
BY ACTIVITY			
I. Common carrier activities	26,623	21,737	21,000
II. Applied technical research and frequency allocation	44,521	33,590	34,673
IRAC		6,400	11,327
III. Field engineering and monitoring	363,104	336,893	889,000
IV. Safety and special radio services	18,268	15,825	17,000
V. Broadcast activities	17,811	19,300	22,000
VI. Executive, staff, and service activities	220,978	174,721	190,000
Total	691,305	608,466	1,185,000

Mr. THOMAS. Travel jumps from $83,750 in 1952 to $118,000; transportation of things jumps from $18,000 to $25,000; communication services from $150,000 to $159,000; printing and reproduction remains at $30,000 for both years; supplies and materials jumps from $130,000 to $158,000; equipment jumps from $83,716 to $554,450, of which, if my memory serves me correctly, $307,000 is applicable to the four new monitoring stations for equipment to get them started, and the remaining sum of $250,000 is divided among your other 17 or 18 stations for equipment, mobile as well as new receiving stations. You want about 18 new receiving stations at a cost of $1,000 apiece.

CONELRAD SYSTEM TRUST FUND

Now tell us something about your new Conelrad system. Do you not have a trust fund or a revolving fund set up for that? How much is in that trust fund?

What about that trust fund and how much is it?

Mr. COY. This is Colonel Lewis from the United States Air Force who, I believe, can give you a better explanation of that.

Mr. THOMAS. It is nice to see you, Colonel.

Mr. COY. We have this year $266,624. That is reasonably accurate.

Mr. THOMAS. How was that trust fund set up?

Mr. COY. It was set up from the Air Force account to the Commission to set up a special activity which was requested by the United States Air Force.

EMPLOYMENT

Mr. THOMAS. In terms of employment that consists of how many jobs over and above the number requested in this budget? As well as I remember it is 17.

Mr. COY. That is on page 39, Mr. Chairman.

Mr. THOMAS. What is the number?

Mr. COY. It is 19.

Mr. THOMAS. I thought it was 17.

Mr. COY. It is 19 people.

Mr. THOMAS. They are paid for from this trust fund set up by the Army Air Force over and above the fund appropriated for 1952 as well as the requested amount in 1953; is that correct?

PAYMENTS TO CONELRAD ACTIVITY FROM FCC FUNDS

Mr. COY. $260,000 is the amount estimated for 1953. This project is one which was initiated by the United States Army Air Force. There has been grave concern about electronic radiation from broadcasting stations and all other possible kinds of devices. I should say beginning late in World War II or maybe even earlier than that, the problem has been with us.

I am sure that the Colonel will do a much better job of explaining it than I can possibly do.

Mr. THOMAS. Let me get this in the record before Mr. Andrews proceeds to the detailed justifications. Then, perhaps, we will want the Colonel to give us some explanatory statement. What part of your requested funds in your 1953 budget are used in addition to this $260,000 transferred to you by the Army Air Force?

Mr. COY. I do not understand that question, I am sorry, Mr. Chairman.

Mr. THOMAS. What additional amount over and above the $260,000 transferred to the Commission by the Air Force for this work is being used by the Commission?

Mr. COY. On this function?

Mr. THOMAS. Yes; do you use any of your own funds?

Mr. COY. Only some supervisory personnel is used in connection with this. Conelrad now operates in the Commission under the supervision of the Chief Engineer. The members of his staff who give supervision to this project are paid out of this fund. I think the Chief Engineer himself is the one that we are paying. He gives some time to this.

The question was asked as to how much is being used out of our own funds. I think it is correct to say, Mr. Chairman, that except for supervision given the Conelrad project we are not using any Commission funds now.

We propose, however, in 1953 in this budget the funds for 86.4 people. It is 86 people who would be in the field performing functions relating the electronic and magnetic radiation control.

Colonel, I think, perhaps, if you tell them how this project operates, and where the name came from, and start from there it would clarify it.

Colonel LEWIS. The word "Conelrad" is a contraction of control of electromagnetic radiation.

DEFENSE AGAINST AIR ATTACK

The United States Air Force is charged with the defense of the country against air attack. In providing for the defense of the country one of our problems was being able to control the electromagnetic radiations to prevent their being used by any enemy aircraft for navigational aid.

In attempting to devise the necessary plans we went to the Federal Communications Commission for aid in devising the necessary plans to accomplish that, due to the fact that they are the governmental agency which is set up to control all of the people who are in the business of emitting electromagnetic radiation.

So, with that in view, the Federal Communications Commission set aside sufficient engineers to work up a plan which would provide that control to prevent any navigational aid. The principal emitters of radiation waves are the broadcasting people, AM, FM, and TV. Too, they devised a plan which was accepted by the United States Air Force as the most desirable, efficient, and economical with which we could accomplish our mission.

At that time, when we accepted this plan, it was necessary to implement it by contacting all of the radio stations and, I might say, selling them the plan as the most feasible way of accomplishing our mission, and then devising and set up and implementing that plan in such a way that during a time of alert, when an attack is imminent, all of these stations could be controlled and alerted at the proper time to insure that they go into whatever plan was devised in order to elminate the possibility of their use by enemy aircraft for navigational aid.

PROVISION OF NECESSARY FUNDS BY USAF

The Federal Communications Commission came to us at that time saying that it would cost money and, consequently, since it was for the United States Air Force in carrying out their defense mission, they felt that we should provide the necessary funds to do so.

Mr. THOMAS. Mr. Sterling, in conjunction with you gentlemen of the Army Air Force worked out this plan, and all of you deserve a whale of a lot of credit for doing so, because as a safety device in case of attack it is indispensable, is is not?

Colonel LEWIS. Yes, sir, that is correct.

FEES

Mr. THOMAS. Mr. Chairman, tell us about your fee picture over there. What fees do you collect?

Mr. COY. Mr. Chairman, I think I am correct in saying that we do not collect any fees whatsoever. We have studied that problem in the Commission.

Mr. THOMAS. Does your basic legislation give you authority to collect any fees?

Mr. COY. No.

Mr. THOMAS. It does not?

Mr. COY. No, we do not have that authority.

Mr. THOMAS. Why should you not collect some fees? This is one of the most lucrative industries in American industry. I think the figures will show that some of the stations cost in the beginning $5,000 or $10,000, and now have a value of several million dollars, and that the big ones are making more profit, clear money each year on the dollar investment than perhaps any industry in the country.

You spend a lot of your time and a lot of the taxpayers' money here in policing the industry, which redounds to the use and benefit

not only of the public, of course, but of these commercial concerns. Why should they not pay a fee for this policing work that you are doing when you study the granting of applications, and so forth? Have you given any thought to that?

Mr. COY. Yes, sir, we have given a lot of thought to it, Mr. Chairman.

Mr. THOMAS. What is your reaction to it?

Mr. COY. Our reaction to it is that these services are licensed in the public interest, and that to charge them a fee would serve to cause them to think that they were relieved in whole, or in part, from the necessity of performing in the public interest.

Mr. THOMAS. Inasmuch as it is just a nominal fee to help to defray some of your day to day cost, how could they come to that conclusion?

Mr. COY. The second reason is that we believe that it is not feasible. Although we do not have a closed mind about it, and we have studied it every time anybody has asked us to study it. If you have a fee for this license it just results in an addition to their operating expenses, and a reduction in the income tax that they have to pay. These people in the Federal communication business who are licensed by the Commission are paying a considerable amount of taxes at the present time, and it is doubtful that there would be a net gain to the Treasury by putting a fee on those people where it is a deductible tax item.

Mr. THOMAS. You are not in the business of levying taxes to support the Government entirely. We are talking about a fee that will defray a part of the cost of a specific service rendered, for processing an application, for instance. Why should they not pay a fee for that?

Mr. COY. I do not believe that they should for the reasons I have stated.

Mr. THOMAS. If a person goes into court and files a court action he usually pays some type of a fee for the service rendered by the court.

Throughout the Government service here there are hundreds of Government agencies where they have a schedule of fees to charge set up by statute for that particular type of work. It was not set up for the specific purpose as a tax, but as a method of raising revenue specifically from that industry. It is only on the theory of defraying a part of the day-to-day cost for the day-to-day service that is rendered to them.

Mr. COY. We have just never believed that it ever was good policy to put a fee on; first, because it is difficult to establish what kind of a fee it should be, and second, we think in the case of these services in the public interest that it is not advisable to put a fee on them.

Mr. THOMAS. If an individual or a company comes in and files an application for a radio station, is it not possible to figure out the cost to the taxpayers in studying the application and processing it and finally granting it or denying it?

Mr. COY. We think the public gets its money's worth out of these radio stations in the way it is handled, and to ask him to pay for it would serve no interest at all. The public owns the radio spectrum here.

Mr. THOMAS. But the public does not own that station that you give him a permit to set up.

Mr. COY. If you are going to put a fee on should it be in relation to the profits which accrue from the station? Many of these stations do not make money.

Mr. THOMAS. Why not let him defray a part of the expense that the taxpayer is put to when you gentlemen process that application? That is fair and reasonable, is it not? It costs the general public so much money for you gentlemen to process an application. Why should he not pay for defraying a part of that expense? He is looking at it from the standpoint of making a livelihood on his part, he is doing it not for love and affection. If he does not feel that he is going to make some money out of it he is not going to file that application with you, is he?

Mr. COY. I suppose that is true in the broadcasting service with about 3,000 of them, but in the other services like the amateurs, the police departments, and the fire departments, it is not.

Mr. THOMAS. That is a different proposition. They are not in there for the profit that is in it.

Mr. COY. How we would set a fee relating to the broadcast applications we have been unable to figure out.

Mr. THOMAS. But, anyway, you have given it some consideration?

Mr. COY. Yes, we have given it some consideration. We do not believe that it is feasible. We have reported that to the Bureau of the Budget, pursuant to the request of the Congressional Appropriations Committee last year.

LEGISLATION NEEDED TO COLLECT FEES

Mr. THOMAS. Would it take legislation in order for you to collect fees for services rendered in processing some of these commercial applications?

Mr. COY. Yes.

Mr. THOMAS. You do not have the authority to levy a fee without it?

Mr. COY. I am sure that we do not. I am sure that it would take legislation if those fees are to be made available to the Commission in the administration of the act. If you are going to collect a fee, I suppose it is to pay for the services rendered, and not to go into the general surplus in the Treasury.

TRAVEL

Mr. ANDREWS. Mr. Commissioner, what about this travel item here, which has increased from $83,750 in 1952 to $118,000 in 1953?

Mr. COY. That is related to the increase in personnel here that we are asking for.

Mr. COX. Part of it is for field engineering and monitoring.

TRANSPORTATION OF THINGS

Mr. ANDREWS. The cost of transportation of things is up from $18,000 in 1952 to $25,000 in 1953.

Mr. COY. Again it is in relation to the increase in personnel that we are requesting.

Mr. COX. And it is also related to the moving of equipment to stations in connection with field engineering and monitoring, and the increase in monitoring.

COMMUNICATIONS SERVICES

Mr. ANDREWS. In communications services your request is for $159,000 for 1953, and you had $150,000 in 1952.

Mr. COX. $7,000 of that increase is again due to field engineering and extended monitoring of stations.

LEASED-LINE TELETYPE CIRCUITS

Mr. ANDREWS. I see you want $89,750 for leased-line teletype circuits. Tell us about that, Mr. Commissioner.

Mr. COY. That is the PLT—private line telegraph—circuit that is controlled out of Washington, linking together all of our monitoring stations so that there are immediate exchanges of information in times of getting a fix on lost airplanes and lost ships, like getting the licensed radio stations to control them out of one place, and thereby finally getting a fix.

TELEPHONE SERVICE COSTS

Mr. ANDREWS. You want $37,000 for Washington telephone service for 1953?

Mr. COY. Yes, sir.

Mr. ANDREWS. That is long distance or local telephone service?

Mr. COY. It is both, is it not?

Mr. COX. Yes, sir, that is right.

Mr. COY. It is both for the number of instruments that we have installed, plus the toll service.

Mr. ANDREWS. And you want $32,250 for 1953 for field office telephones and miscellaneous communications, making a total of $159,000 for communications for 1953.

RENTS AND UTILITY SERVICES

For rents and utility services you request $63,000 in 1953 against $53,000 in 1952. Why the increase of $10,000 there, Mr. Chairman?

Mr. COY. That is because of the increase in the field offices, rental due to the expansion of the services, and the utility services for those same expanded offices that we are asking for.

Mr. ANDREWS. How many new field stations will you have?

Mr. COY. I believe it is four. It is four new stations that we are asking for.

Mr. ANDREWS. Would those four new stations account for the $10,000 increase requested for rents and utilities?

Mr. TURNER. That is correct, yes, sir.

PRINTING AND REPRODUCTION

Mr. ANDREWS. For printing and reproduction you request the same amount for 1953 as you had for 1952, $30,000.

UNEXPENDED BALANCE

How much unexpended balance did you have on the 1st of January, 1952?

Mr. COX. I could give it to you as of the 1st of February. For print and reproduction we had spent $14,083. I should have given it to the

1st of January, because we spent almost nothing in January. It was $13,000 then.

Mr. ANDREWS. That is for printing your annual reports?

Mr. COX. Yes.

Mr. ANDREWS. How many copies do you get out?

Mr. COX. I could not tell you offhand how many copies we get out. I can get it and insert it in the record.

(The matter referred to is as follows:)

Six hundred copies of the annual report are distributed by the Commission within the Commission; to congressional committees; to the White House; to the Bureau of the Budget, and to the press.

No distribution is made to the public. Approximately 1,800 copies are sold to the public by the Government Printing Office each year.

Mr. ANDREWS. You want $2,100 for printing your annual report in 1953. Who does the printing for you, the Government Printing Office?

Mr. COY. Yes, sir.

Mr. ANDREWS. "Statistics of the communication industry," $1,000. For FCC reports you do not request anything for that purpose this year. For rules and regulations, $2,500 and for FCC forms, $12,700. Do you receive any income from the sale and distribution of any of these pamphlets?

Mr. COY. No. Some of our publications are sold by the Government Printing Office, but we do not receive anything from them.

OTHER CONTRACTUAL SERVICES

Mr. ANDREWS. Now, for "Other contractual services" you want $75,000, which is an increase of $15,000 over 1952.

I notice that the bulk of that increase is for the repair, care, and storage of vehicles.

AUTOMOBILES

How many automobiles do you have?

Mr. COY. Mr. Turner, how many automobiles do we have in the field?

Mr. TURNER. There are 139 in the Field Engineering and Monitoring Division which are used for inspections, investigations, and so forth, at the monitoring stations.

Mr. COX. That also includes a few station wagons.

Mr. TURNER. Yes, trucks and passenger-carrying vehicles.

Mr. COY. In the departmental service, or Washington, or is it one or two that we have?

Mr. COX. We have one station wagon here.

Mr. ANDREWS. Are you requesting any new motor vehicles in 1953?

Mr. COY. Yes; we are requesting 20 new replacements.

Mr. ANDREWS. 20?

Mr. COY. Yes.

Mr. COX. Sixteen is the final figure, and 20 in 1951.

Mr. COY. What is the age of the automobiles that we now have?

Mr. TURNER. Those automobiles go back for 10 or 12 years. The ones that are going to be replaced are 10 or 12 years of age, and they have all over 60,000 miles on them, which is the mileage which has

been established by the Bureau of the Budget as necessary in considering automobiles for replacement.

Mr. Coy. I would like to have you notice the fact that the Chairman of the Commission, the members of the Commission, the bureau heads and no other personnel have automobiles in the Federal Communications Commission.

Mr. Andrews. I want to congratulate you for that fine statement.

Mr. Coy. It is the only thing we have stayed out of trouble on.

Mr. Andrews. How many of these automobiles are located here in the District of Columbia?

Mr. Turner. We have two of them over here in the Department, and both of them are equipped for investigative activities.

Mr. Coy. Will you show the members of the committee a picture showing how these automobiles are equipped?

Mr. Cox. I would like to correct the statement I made previously. It is 16 replacements and 4 new automobiles.

Mr. Coy. I think we ought to show you this so that there is no misunderstanding about it. This is a typical installation and the Commission automobiles.

Mr. Cox They are listed as passenger-carrying vehicles. You can see what is on them.

Mr. Andrews. They are used in monitoring?

Mr. Coy. They are used in monitoring and in investigation service.

Mr. Turner. This [indicating] is a test car which is used in making measurements in the field on broadcasting stations with reference to frequency modulation and also signal intensity and coverage in transmitting problems and the like.

Mr. Cox. There are no passenger-carrying vehicles at all as such in the system.

Mr. Thomas. You have about 60 installations, and it figures out about 2⅓ in each installation.

Mr. Coy. Yes.

Mr. Andrews. And this covers the whole United States?

Mr. Coy. Yes; this covers the whole United States, including the Territories of Hawaii, Alaska, and Puerto Rico.

Mr. Andrews. Most of this money that you are requesting for "Other contractual obligations" is for the repair and maintenance of these automobiles and the equipment used in connection with carrying out your monitoring duties?

Mr. Coy. Yes, sir; that is correct.

SUPPLIES AND MATERIALS

Mr. Andrews. For "Supplies and materials" you request $158,000 for 1953 against $130,000 in 1952. What is that for?

Mr. Coy. In supplies and materials we have all kinds of things.

Mr. Andrews. I see you have gasoline and oil, technical supplies, fuels and heating, duplicating supplies, tabulating supplies, general supplies, and newspapers and periodicals.

You have here $175 for newspapers and periodicals.

Mr. Coy. Yes.

Mr. Cox. $25,000 is for "Field engineering and monitoring" again. That is the largest increase.

GENERAL SUPPLIES

Mr. ANDREWS. What about this item "General supplies," $65,925?

Mr. HOLL. That is for paper and general office supplies.

Mr. COX. The Commission uses a considerable amount of paper in its activities.

Mr. ANDREWS. I notice you state on page 156:

> At the present time our inventory of supplies on hand is the lowest it has been for many years, less than 8,000.

What is that, dollars?

Mr. COX. Yes; that is supposed to be dollars.

NEW EMPLOYEES

Mr. PHILLIPS. Mr. Coy, you are asking for how many additional employees for next year all told? I have it here before me, but I want to put it in the record.

Mr. COY. About 177.

Mr. PHILLIPS. Are those technical employees?

Mr. COY. What do you mean by that?

Mr. PHILLIPS. Are they stenographers and clerks, or are they men and women who have had some special training for this job?

Mr. COY. They are all classes of people including professional people.

Mr. PHILLIPS. My question is: How do you expect to get that many additional people in Washington under present employment conditions in Washington?

Mr. COY. We expect to be able to attract professionals to the kinds of jobs we have to offer them.

Mr. PHILLIPS. Last year I recall that there was a statement made that you were having great difficulty in keeping your specialists, like your engineers. You gave a figure which was subsequently inserted in the record.

Mr. COY. Mr. Phillips, a good part of those people are not Washington people, because they go into the field service. In other words, the number of people in the Washington service would be something like 32, at least under 50 here in the Washington area. Professional staff people, that is, either lawyers or engineers or accountants would be two-thirds of the number, and about one-third would be stenographers and clerks, so that there is not a great number of them recruited in Washington. The bulk of them would be in the field.

Mr. PHILLIPS. In the hearing last year Mr. Holl testified:

> In the last 6 months 13 engineers have left the Commission.

I do not recall that being limited to Washington alone. It may have been.

Mr. HOLL. That was the entire Commission.

Mr. PHILLIPS. You mean that you can get these employees more easily outside of Washington than inside of Washington?

Mr. COY. Yes; I think so.

Mr. PHILLIPS. My next question is off the record.

(Discussion off the record.)

APPROPRIATION INCREASES FROM 1943 TO 1953

I notice with interest that your requests of us have increased from $2,323,000 in 1943 to $8,075,000 in 1953.

Mr. COY. Yes; representing the task which we have to do and the increase in the number of stations which are under our jurisdiction and the increased volume of our work. For instance, take the amount of money invested in the telephone system in the United States; as total revenues go up the telephone service has more than doubled and the requests——

Mr. PHILLIPS (interposing). You are not paying for the telephone system in the United States.

Mr. COY. We are not; but we are regulating the amount that you pay, and the amount that is being paid for the telephone system in the United States, and I should say that the amount of money that is gotten up here in the estimate is inadequate at this particular time to consistently do the kind of a job that we ought to do for the sound economy of the United States. Also, there is quite a difference in the dollar figure between 1943 and 1952 due to the pay of the employees.

Mr. PHILLIPS. Maybe the excessive Federal expenditures have something to do with the drop in the dollar value.

Mr. COY. We have not asked that salaries be raised considerably, you know.

Mr. HOLL. We have not kicked about them being raised, either.

SITUATION CAUSING TELEVISION DELAY

Mr. PHILLIPS. Tell me in words of one syllable, so that I can understand, what this television situation is. What is causing the delay; is it a matter of the bands that are to be used in television, or is it bound up in the color television decision as well as the bands to be used?

Mr. COY. It is both. I hope when you say, "Tell me in words of one syllable," that you will give me time enough to get it done.

Mr. PHILLIPS. I thought you could make a brief statement that I could really understand.

Mr. COY. It would take about 3 or 4 minutes for me to do that.

Mr. PHILLIPS. I think I would like to know what it is.

Mr. COY. In 1945 the Commission allocated 13 channels between 50 megacycles and 216 megacycles in the spectrum to television. They did that because the industry said we have developed television equipment in this region before the war and during the war, and we are now ready to go there.

It was recognized both by the industry and by the Commission that those 13 channels were inadequate for a Nation-wide competitive system of television. Now in that allocation proceeding, 470 to 890 megacycles were set aside in the upper high-frequency region, a relatively unexplored part of the spectrum at that time so that the area will be devoted more to television, and so it was allocated a sufficiently large amount of space for a Nation-wide competitive system.

Mr. PHILLIPS. Whose decision was that?

Mr. COY. This was the decision of the Commission.

In 1948 there were some 35 or more stations on the air, 35 to 40 stations on the air—I am a little ahead of my story.

At the time, in 1945, in allocating those 13 channels to the cities and towns of the country, the industry requested a separation of 150 miles between the stations. Although the Commission had originally proposed 170 miles, they asked for 150 miles between stations.

They asked for it in order that they could get more assignments throughout the country than if they were 170 miles apart. In other words, they were trying to begin to interlock so that they could make a Nation-wide system out of it.

By 1948, with some 35 or 40 stations on the air, we found some very intolerable interference conditions due to the separation of 150 miles; so that they sought, by the order of September 30, 1948, to examine the question of new engineering standards, and particularly those applicable to the separation between stations.

Mr. PHILLIPS. What is the date of that order?

Mr. COY. September 30, 1948.

Mr. PHILLIPS. 1948?

Mr. COY. Yes. The conferences began, then, as an ad hoc committee composed of the Federal Communications Commission and other Government engineers in radio propagation and the industry people. It got under way through studies to try to give us a base for a new separation figure between stations and other changes in engineering standards. We saw, on the basis of that, that we had to increase those separations materially if we were to expect to have interference-free service, or one relatively free from interference, and if we were to have enough assignments that we could not expect to get service to all the people of this country. We saw that we could not have a Nation-wide system of television, just as the Commission in 1945 said that we had to get more frequencies. So, we had to move to these ultrahigh frequencies.

Some 10 or 15 months after the conferences went on we proposed to utilize the ultrahigh frequency part of the spectrum to have this Nation-wide system.

At that time we first learned that the industry was prepared to put color television in.

This came about as the result of some experimental work that had been done along that line by the Columbia Broadcasting Co. and the Radio Corp.

The Commission felt, if we were going to use all of the remaining space in the spectrum for television, that we ought to make provision for color television at this time, or the American people would be deprived of color television for our lifetime, at least. So, the issues for the hearing beginning in the fall or winter of 1949 were the utilization of the ultra high-frequency part of the spectrum, and the standards for both black and white, and color television.

We took the color part of the proceeding first, and I think everyone is familitar with the long-drawn-out and bitter, acrimonious fight that we had here on that subject. It turns out that one of the greatest assets of the color-television system is that you can see it in black and white, a very funny situation; that when you start to get color in television you can see it in black and white, and it turns out as an asset of the system that you can broadcast in color and see it in black and white. We had only one system that was really worth while with color.

We adopted the field sequential system proposed to us by the Columbia Broadcasting System. We rejected the Radio Corp. and the Color Television, Inc., systems. We then had the question of separation between stations left with us, the location then of the UHF, VHF, and the various stations throughout the United States.

We started in on that about September, and the hearing began. We ran the hearing by filing papers instead of holding oral hearings. We closed it on December 17, 1951. There were 1,500 filings by different people. This area covered the whole of the United States.

The Commission has been meeting daily now since about the 15th or 20th of January—I cannot remember the exact date—going over this evidence city by city and State by State. We hope to be out with final allocations and total separations made final, and new standards made final sometime around the 15th of March.

Mr. PHILLIPS. Thank you very much.

Mr. COY. That is a long account of it.

Mr. THOMAS. Mr. Cotton.

LANDS AND STRUCTURES, CARE OF GROUNDS AND REPAIRS TO BUILDINGS

Mr. COTTON. On page 46 of the committee print you have language that an amount not to exceed $3,000 is for land and structures; and then, later on, not to exceed $17,500 for certain purposes, including the care of grounds and repairs to buildings.

What land and structures or substantial repairs to buildings are involved in that requested language?

Mr. COX. All of that is for the field engineering and monitoring operation, the land and structures.

Mr. COTTON. Where, scattered around the country?

Mr. COX. Yes; scattered all over.

Mr. TURNER. Those are primarily the monitoring system, such as Millis, Mass.; Laurel, Md.; Fort Lauderdale, Fla.; and Atlanta, Ga.

Mr. COTTON. This $3,000 is for new buildings?

Mr. TURNER. This new building is a station out at Spokane. It is a building that we have acquired from the Army, I believe it is, that they declared surplus. We have moved in there and are operating our secondary monitoring station there. We have been told by the military that we have got to provide for an exchange of funds between our agency and their agency in order to obtain control of this property. It is surplus to the other agency. We can use it to good advantage, and we can save over $1,000 a year rent that we were paying to a private owner for the property on which this station was previously located.

Mr. COTTON. You want that $3,000 to pay some other agency?

Mr. TURNER. That is right.

Mr. COTTON. To purchase a building?

Mr. TURNER. Building and grounds.

Mr. COTTON. How much of that $17,500 is for repairs to buildings?

Mr. TURNER. All of that is for the repair of an investment that the Commission has.

Mr. COTTON. In buildings?

Mr. TURNER. An investment in property in the amount of about $500,000 that the Commission has.

Mr. COTTON. How much of it goes to Laurel?

Mr. TURNER. Laurel is one of 11 primary monitoring stations. I would say that about one-tenth of that amount would go to Laurel to maintain that property. That is for roadways, painting, plumbing, and so forth. We had to repair a pump for the water system at Knoxville within the past 30 days. It cost us $750 for a new pump alone.

REIMBURSEMENTS FROM OTHER AGENCIES

Mr. COTTON. I believe you testified that the Federal Communications Commission received some $260,000, was it, from the military branches for special work?

Mr. COY. Yes; $266,000 this year, and it will be $260,000 next year.

Mr. COTTON. How much money has your Commission received from other agencies of Government in the fiscal years 1951 and 1952?

Mr. COY. I believe I can give that to you. In the fiscal year 1951 the actual figure was $96,594, and in 1952 it was $389,968.

Mr. COTTON. What do you anticipate receiving, if you have an approximation of it, in the fiscal year 1953?

Mr. COY. Roughly, in the fiscal year 1953, $382,000.

Mr. COTTON. Does that anticipated revenue appear in your justifications?

Mr. COY. Yes, it does. It is set out as working funds, FCC.

Mr. COTTON. And the amounts?

Mr. COY. I have given you those amounts in round figures.

Mr. COTTON. I would like to have you tell me the pages in the justifications on which that information appears.

Mr. COX. The table that lists those are on pages 20 and 21, at the bottom of the page.

Mr. COTTON. That is under reimbursements?

Mr. COX. Yes; that is the one table that shows them. Then they are scattered by activity through the justification.

Mr. COY. And they are the same ones shown here.

Mr. COX. Yes, sir; that is correct.

Mr. COTTON. There is no page in the justification where all the reimbursements from other agencies appear in one place?

Mr. COX. No, Mr. Congressman, and the reason for that is that they fall in the budget where they fall within the organization for supervision.

Mr. COTTON. I understand the reason for it.

Mr. COY. No, it does not appear except on this table on pages 20 and 21 in one place where it is consolidated.

Mr. COTTON. In view of the fact that they are not consolidated, can you just enumerate the other agencies from which you receive reimbursement?

Mr. COY. For 1953?

Mr. COTTON. Yes, for 1953.

Mr. COY. The Economic Cooperation Administration, the Bureau of Standards of the Department of Commerce, and the State Department point 4 program.

Mr. COTTON. You can readily see that it is a little difficult for the committeee, at least it is for me, to check on these various departments that come in and to make sure that I know how much they are getting from other agencies.

As one member of the committee, and subject to being overruled by the chairman, I would like to request that next year somewhere in your justifications you let that appear in summary consolidated form so that we can find it readily.

Mr. Cox. It is in the printed budget.

Mr. Cotton. I asked that, and the answer was "No."

Mr. Coy. This blue book does not have it consolidated. Do you want it consolidated here?

Mr. Cotton. Yes.

Mr. Coy. We would be glad to furnish that for inclusion in the record if you would like to have it.

Mr. Cotton. No; but I would like to see it clearly summarized in next year's justification. That is all.

INTERDEPARTMENTAL RADIO ADVISORY COMMITTEE

Mr. Phillips. In your chart under the Chief Engineer, will you explain what IRAC is?

Mr. Coy. Interdepartmental Radio Advisory Committee. This is a group of people who represent each of the agencies of the Government. It was set up by Executive order of President Coolidge in 1923 and is the means that has been used to clear the use of frequencies by the various agencies of the Government with the private users, and the Secretariat of that group functions and is performed within the Commission.

Mr. Phillips. Do you not think, following the Gilbert and Sullivan song, It Never Would Be Missed?

Mr. Coy. Off the record.

(Discussion off the record.)

LAND AND STRUCTURES

Mr. Andrews. Tell us something about this $2,550 that you are requesting for land and structures.

Mr. Coy. It is the same item that the gentleman down here was asking about. It is to pay the Army for a surplus piece of property at Spokane, Wash., which we are acquiring from them, and where we save $1,000 rent a year, but they sell surplus to us just like they do to other people.

Mr. Andrews. You ought to get a good deal out of them, then.

Mr. Coy. Yes, it is a good deal.

Mr. Thomas. Thank you, gentlemen. It is always nice to see you, and a Happy New Year to you.

INTERDEPARTMENTAL RADIO ADVISORY COMMITTEE

Mr. Coy. Mr. Thomas, I have one thing I would like to ask about. We discovered that we forgot to notify the IRAC people that we were going to have this hearing. We have had difficulty about it because those people naturally feel we have not assigned enough personnel to it.

Mr. Thomas. What is IRAC?

Mr. Coy. The Interdepartmental Radio Advisory Committee. This time the figure in here is the figure arrived at by the chairman and secretary of IRAC. We are supporting it, and we believe it is

justified. Unfortunately, we forgot to notify them we were coming up here today, and we are asking you if we can let them send a letter to you to be added to the record.

Mr. THOMAS. Yes.

(The matter referred to is as follows:)

EXECUTIVE OFFICE OF THE PRESIDENT,
TELECOMMUNICATIONS ADVISOR,
Washington, D. C., February 21, 1952.

Hon. ALBERT THOMAS,
Chairman, Independent Offices Subcommittee of the House Appropriations Committee, House of Representatives, Washington, D. C.

DEAR MR. THOMAS: It is my understanding that during the course of reviewing the budget presentation of the Federal Communications Commission (FCC) for the fiscal year 1953 you suggested the advisability of outlining, in writing, the stated importance of the work of the Interdepartment Radio Advisory Committee (IRAC). Accordingly, the purpose of this letter is to present, for your committee, the written statements of the agencies and departments vitally concerned with national defense, in relation to this radio committee which serves them.

It is considered that the substantive work of the IRAC is outlined in sufficient detail in the budget presentation of the FCC, pages 54 to 57, and therefore need not be repeated in this letter.

Upon my appointment to this office, the terms of Executive Order No. 10297 (a copy of which is attached for your convenience) indicated that this committee, the IRAC, was to report to me. (See section 4.) Accordingly, I initiated a study of the work performed by the committee and found that it has since 1922 been the instrument within the Government charged with assigning radio frequencies to Government stations; it also serves as the forum for collaboration with the FCC wherein agreement can be reached for frequencies to be assigned to non-Government stations.

The committee's records, however, were found to be in something less than a satisfactory and up-to-date condition. This was brought about by two things: firstly, because of the greatly expanded use of radio frequencies with the advance of the art during and since the last World War; and secondly, because of the greatly increased military uses of radio frequencies resulting from the activities in Korea.

As a result of my investigations relative to the IRAC and its records, I then turned to the defense agencies with a view toward obtaining assistance from them in bringing the records and work of the committee up-to-date, if possible, during the remainder of the current fiscal year. (The FCC was, of course, unable to assist in this effort because of their inability to meet additional expenditures of this nature.) I am happy to state that the Department of Defense has agreed to extend such monetary assistance to the committee on the basis that the work of the committee is important to the defense effort in communications.

As a matter of information to your committee, I am attaching copies of responses from the Department of Defense, the Central Intelligence Agency, and the Department of Commerce, to my stated question: "Is the work of the IRAC important and necessary to your operations?" Without question, these departments have indicated that the committee's functions are important to them.

As a second step, I approached the Bureau of the Budget and the FCC to assure that an appropriate appropriation could be requested for the committee's work to cover the forthcoming fiscal year.

My staff is at present engaged in strengtheing the structure of the secretariat of the committee in order that it may cope with the extra workloads imposed upon it, based upon the replies of the departments which rely upon the committee's work.

It is sincerely hoped that this letter has made more clear to your committee the importance to the defense effort of the IRAC workings and will, of course, welcome any opportunity of amplifying this explanation or of answering any questions that your committee may have, in person. Should your committee consider it to be desirable, I shall also arrange for interested individuals from the various agencies to appear before you for the same purpose.

Sincerely yours,

HARADEN PRATT,
Telecommunications Advisor to the President.

MONDAY, FEBRUARY 11, 1952.

VETERANS' ADMINISTRATION

WITNESSES

GEN. CARL H. GRAY, JR., ADMINISTRATOR OF VETERANS' AFFAIRS
S. M. MOORE, JR, BUDGET OFFICER
JOHN D. BAKER, ASSISTANT DIRECTOR, BUDGET SERVICE
U. E. WELLS, CHIEF, ESTIMATES DIVISION
J. G. CORBITT, DIRECTOR, FOREIGN RELATIONS SERVICE
G. H. BIRDSALL, ASSISTANT ADMINISTRATOR, LEGISLATION
C. L. CURTISS, ASSISTANT ADMINISTRATOR, CONTACT AND ADMINISTRATIVE SERVICES
F. W. KELSEY, ASSISTANT ADMINISTRATOR, FINANCE
F. H. DRYDEN, ASSISTANT ADMINISTRATOR, CONSTRUCTION, SUPPLY, AND REAL ESTATE
W. HOWARD, ASSISTANT ADMINISTRATOR, CLAIMS
R. L. JARNAGIN, CHAIRMAN, BOARD OF VETERANS APPEALS
E. E. ODOM, SOLICITOR
H. V. STIRLING, ASSISTANT ADMINISTRATOR, INSURANCE
S. H. COILE, ASSISTANT ADMINISTRATOR, VOCATIONAL REHABILITATION AND EDUCATION
A. S. MASON, EXECUTIVE ASSISTANT, SPECIAL SERVICES
VICE ADM. JOEL T. BOONE (M. C.), RETIRED, CHIEF MEDICAL DIRECTOR
A. A. LEYES, PROGRAM ANALYSIS STAFF, DEPARTMENT OF MEDICINE AND SURGERY
J. M. FARRIS, PROGRAM ANALYSIS STAFF, DEPARTMENT OF MEDICINE AND SURGERY
A. H. MONK, EXECUTIVE ASSISTANT, VOCATIONAL REHABILITATION AND EDUCATION

ADMINISTRATION, MEDICAL, HOSPITAL, AND DOMICILIARY SERVICES

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$880,364,800	$873,105,770	$895,000,000
Transferred to "Operating expenses, General Services Administration":			
Pursuant to Reorganization Plan No. 18, 1950	−880,065		
Pursuant to 41 U. S. C. 217		−7,758	
Adjusted appropriation or estimate	879,484,735	873,098,012	895,000,000
Proposed supplemental due to pay increases		30,254,000	
Prior year balance reappropriated	179,000		
Reimbursements from non-Federal sources	1,819,484	1,710,758	1,715,000
Reimbursements from other accounts	1,349,340	2,713,000	2,725,000
Total available for obligation	882,832,559	907,775,770	899,440,000
Unobligated balance, estimated savings	−18,312,502		
Obligations incurred	864,520,057	907,775,770	899,440,000

NOTE.—Reimbursements from non-Federal sources above are for medical services furnished under emergency conditions to patients who are not entitled to hospitalization benefits (Public Law 137).

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
Direct Obligations			
1. Medical, hospital, and domiciliary services:			
(a) Neuropsychiatric hospitals	$132,575,275	$150,358,463	$152,707,600
(b) Tuberculosis hospitals	36,872,779	45,399,976	48,730,700
(c) General medical hospitals	264,515,452	302,010,450	323,955,350
(d) Non-Veterans' Administration hospitals	26,383,002	26,374,375	24,401,400
(e) Homes	17,993,842	20,403,776	20,114,500
(f) State homes	3,528,953	3,900,000	4,095,000
(g) Out-patient medical services	100,783,921	110,994,000	106,136,100
(h) General medical administration	9,993,770	10,535,940	10,476,100
(i) Other services	8,080,522	6,311,100	7,598,250
2. Nonmedical program, administration and operation:			
(a) Veterans' and dependents' claims	39,946,272	39,523,166	37,791,243
(b) Insurance	46,344,060	42,693,213	35,583,205
(c) Vocational rehabilitation and education	56,991,971	40,119,785	28,710,520
(d) Loan guaranty	12,705,846	13,343,492	13,482,717
(e) Readjustment allowance	3,087,776	1,710,641	1,194,517
(f) General administration and contact	98,043,215	85,918,211	76,225,133
3. Executive direction	5,324,061	5,466,182	5,512,665
Total direct obligations	863,170,717	905,062,770	896,715,000
Obligations Payable Out of Reimbursements From Other Accounts			
1. Medical, hospital, and domiciliary services:			
(c) General medical hospitals	1,349,340	2,713,000	2,725,000
Obligations incurred	864,520,057	907,775,770	899,440,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Summary of Personal Services			
Total number of permanent positions	182, 295	179, 065	181, 562
Full-time equivalent of all other positions	3, 626	4, 438	4, 481
Average number of all employees	181, 314	174, 958	173, 477
Average salary and grade:			
General schedule grades:			
Average salary	$3, 383	$3, 710	$3. 719
Average grade	GS–4.2	GS–4.1	GS–4.1
Crafts, protective, and custodial grades:			
Average salary	$2, 586	$2, 876	$2, 887
Average grade	CPC–3.5	CPC–3.5	CPC–3.5
Ungraded positions: Average salary	$5, 099	$5, 575	$5, 562
Personal service obligations:			
Permanent positions	$600, 481, 441	$630, 853, 888	$627, 072, 602
Part-time and temporary positions	16, 253, 025	22, 152. 800	23, 309, 450
Regular pay in excess of 52-week base		2, 408, 526	2, 230, 435
Payment above basic rates	8, 095, 955	7, 755, 343	8, 071, 038
Total personal service obligations	624, 830, 421	663. 170, 557	660, 683, 525
Direct Obligations			
01 Personal services	623, 825, 421	660, 892, 557	658, 393, 525
02 Travel:			
Employees	4, 496, 571	5, 253, 921	4, 707, 567
Beneficiaries	6, 890, 603	8, 178, 779	7, 058, 800
03 Transportation of things:			
Shipment of bodies	174, 327	200, 000	172, 100
Other	4, 494, 095	5, 518, 429	4, 667, 741
04 Communication services	3, 760, 470	3, 944, 731	3, 922, 794
05 Rents and utilities	14, 649, 871	10, 209, 433	10, 383, 005
06 Printing and reproduction	2, 944, 309	2, 220, 000	2, 400, 000
07 Other contractual services:			
Medical and dental fees	39, 529, 930	44, 037, 000	40, 445, 500
Other	56, 863, 189	57, 503, 252	56, 052, 464
08 Supplies and materials:			
Provisions	50, 860, 743	47, 866, 155	50, 635, 050
Other	49, 553, 621	55, 309, 604	57, 313, 001
09 Equipment	7, 357, 572	9, 248, 487	7, 507, 178
10 Lands and structures	455, 953	251, 850	417, 400
11 Grants, subsidies, and contributions	8, 971, 278	8, 263, 463	7, 424, 058
13 Refunds, awards, and indemnities	41, 190	26, 000	40, 000
15 Taxes and assessments	259, 046	986, 409	1, 561, 317
Subtotal	875, 128, 189	919, 910, 070	913, 101, 500
Deduct charges for quarters, subsistence, and laundry	11, 957, 472	14, 847, 300	16, 386, 500
Total direct obligations	863, 170, 717	905, 062, 770	896, 715, 000
Obligations Payable Out of Reimbursements From Other Accounts			
01 Personal services	1, 005, 000	2, 278, 000	2, 290, 000
08 Supplies and materials:			
Provisions	138, 000	180, 000	180, 000
Other	181, 000	190, 000	190, 000
09 Equipment	25, 340	65, 000	65, 000
Total obligations payable out of reimbursements from other accounts	1, 349, 340	2, 713, 000	2, 725, 000
Obligations incurred	864, 520, 057	907, 775, 770	899, 440, 000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$100,342,179	$97,910,891	$99,500,000
Obligations incurred during the year	864,520,057	907,775,770	899,440,000
	964,862,236	1,005,686,661	998,940,000
Deduct:			
Reimbursable obligations	3,168,824	4,423,758	4,440,000
Unliquidated obligations, end of year	97,910,891	99,500,000	97,030,000
Adjustment in obligations of prior years	5,294,579	4,992,242	5,000,000
Obligated balance carried to certified claims account	1,448,958	1,000,000	1,000,000
Total expenditures	857,038,984	895,770,661	891,500,000
Expenditures are distributed as follows:			
Out of current authorizations	768,021,472	777,885,671	802,000,000
Out of prior authorizations	89,017,512	88,794,600	88,336,390
Out of anticipated 1952 supplemental for pay increases		29,090,390	1,163,610

Compensation and Pensions

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$2,174,138,000	$2,112,230,000	$2,204,351,000
Prior year balance available	7,475,606	10,441,440	
Total available for obligation	2,181,613,606	2,122,671,440	2,204,351,000
Balance available in subsequent year	−10,441,440		
Obligations incurred	2,171,172,166	2,122,671,440	2,204,351,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Compensation:			
(a) Spanish-American War veterans	$1,047,753	$963,255	$918,190
(b) Spanish-American War dependents	1,091,973	1,078,085	1,062,340
(c) World War I veterans	228,550,645	219,405,690	210,384,825
(d) World War I dependents	55,138,593	53,362,260	51,696,216
(e) World War II veterans	935,753,061	937,254,381	941,437,904
(f) World War II dependents	236,810,732	240,228,300	243,613,500
(g) Peacetime-service veterans	36,647,860	40,536,397	45,864,563
(h) Peacetime-service dependents	19,277,108	26,144,134	32,335,339
2. Pensions:			
(a) Yellow-fever experiments	4,750	4,500	4,500
(b) Mexican War dependents	12,541	11,340	9,720
(c) Indian war veterans	496,334	387,270	299,520
(d) Indian war dependents	968,015	886,350	807,120
(e) Civil War veterans	14,175	4,320	1,440
(f) Civil War dependents	6,915,786	5,253,936	4,552,344
(g) Spanish-American War veterans	99,702,317	94,532,530	91,082,255
(h) Spanish-American War dependents	47,781,944	48,455,343	48,841,102
(i) World War I veterans	206,227,130	207,029,996	298,953,990
(j) World War I dependents	125,197,643	129,261,420	132,092,400
(k) World War II veterans	22,461,801	25,712,280	30,280,824
(l) World War II dependents	7,752,520	9,430,410	10,966,263
(m) Peacetime-service veterans	82,990	100,331	118,165
(n) Peacetime-service dependents	48,431	57,506	66,581
3. Other:			
(a) Emergency officers' disability retirement (World War I)	4,008,613	3,606,322	3,445,227
(b) Adjusted service and dependents' pay	6,577	7,688	5,864
(c) Subsistence allowance for disabled veteran trainees	135,172,874	78,956,796	55,510,808
Obligations incurred	2,171,172,166	2,122,671,440	2,204,351,000

Obligations by objects

12 Pensions, annuities, and insurance claims:

1951	$2,171,172,166
1952	2,122,671,440
1953	2,204,351,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$856,996	$554,462	
Obligations incurred during the year	2,171,172,166	2,122,671,440	$2,204,351,000
	2,172,029,162	2,123,225,902	2,204,351,000
Deduct unliquidated obligations, end of year	554,462		
Total expenditures	2,171,474,700	2,123,225,902	2,204,351,000
Expenditures are distributed as follows:			
Out of current authorizations	2,171,474,700	2,112,230,000	2,204,351,000
Out of prior authorizations		10,995,902	

Readjustment Benefits

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$2,505,600,000	$861,640,000	$698,634,000
Prior year balance available	93,064,188	556,837,091	
Total available for obligation	2,598,664,188	1,418,477,091	698,634,000
Balance available in subsequent year	−556,837,091		
Obligations incurred	2,041,827,097	1,418,477,091	698,634,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Education and training:			
(a) Subsistence	$1,363,078,578	$932,656,263	$431,298,914
(b) Tuition	523,446,278	366,010,464	175,146,583
(c) Supplies	11,219,850	7,677,890	14,428,194
(d) Equipment	45,595,893	31,200,046	3,550,573
2. Loan guaranty:			
(a) Interest gratuities	69,226,254	59,923,299	56,772,828
(b) Guaranty losses	7,490,833	4,574,400	4,519,300
(c) Loans and property acquired	13,390,962	11,252,080	11,252,080
3. Readjustment allowances:			
(a) Unemployment allowance	7,794,158	5,052,929	1,545,960
(b) Self-employment allowance	584,291	129,720	119,568
Obligations incurred	2,041,827,097	1,418,477,091	698,634,000

Obligations by objects

12 Pensions, annuities, and insurance claims:

1951	$2,041,827,097
1952	1,418,477,091
1953	698,634,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$5,349,566	$4,267,594	$3,500,000
Obligations incurred during the year	2,041,827,097	1,418,477,091	698,634,000
	2,047,176,663	1,422,744,685	702,134,000
Deduct unliquidated obligations, end of year	4,267,594	3,500,000	2,000,000
Total expenditures	2,042,909,069	1,419,244,685	700,134,000
Expenditures are distributed as follows:			
Out of current authorizations	2,042,909,069	858,140,000	696,634,000
Out of prior authorizations		561,104,685	3,500,000

Military and Naval Insurance

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate:			
Current definite	$6,830,000	$6,000,000	$6,854,000
Permanent indefinite	62,413	50,000	50,000
Prior year balance available	145,768	1,087,596	36,821
Total available for obligation	7,038,181	7,137,596	6,940,821
Balance available in subsequent year	−1,087,596	−36,821	
Obligations incurred	5,950,585	7,100,775	6,940,821

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Monthly payments to beneficiaries:			
(*a*) Disability awards	$4,675,364	$4,519,500	$4,380,021
(*b*) Death awards	19,103	17,275	15,800
2. 1-sum benefit payments	55,434	53,000	50,000
3. Transfers to United States Government life insurance fund	1,200,684	2,511,000	2,495,000
Obligations incurred	5,950,585	7,100,775	6,940,821

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
11 Grants, subsidies, and contributions (payment to U. S. Government life insurance fund)	$1,200,684	$2,511,000	$2,495,000
12 Pensions, annuities, and insurance claims	4,749,901	4,589,775	4,445,821
Obligations incurred	5,950,585	7,100,775	6,940,821

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$12,771	$57,788	
Obligations incurred during the year	5,950,585	7,100,775	$6,940,821
	5,963,356	7,158,563	6,940,821
Deduct unliquidated obligations, end of year	57,788		
Total expenditures	5,905,568	7,158,563	6,940,821
Expenditures are distributed as follows:			
Annual definite appropriations:			
Out of current authorizations	5,888,172	5,963,179	6,854,000
Out of prior authorizations		1,087,596	36,821
Permanent indefinite appropriations:			
Out of current authorizations	17,396	50,000	50,000
Out of prior authorizations		57,788	

Hospital and Domiciliary Facilities

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$160,000,000	$27,505,080	$153,600,000
Applied to contract authorization	−160,000,000	−27,505,080	−59,000,000
Prior-year balance available:			
Appropriation	34,572,135	81,025,672	
Contract authorization	547,683,851	397,175,914	
Total available for obligation	582,255,986	478,201,586	94,600,000
Balance available in subsequent year:			
Appropriation	−81,025,672		−4,916,518
Contract authorization	−397,175,914		
Unobligated balance, estimated savings (contract authorization)		−352,809,256	
Obligations incurred	104,054,400	125,392,330	89,683,482

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Hospital bed-producing projects	$80,168,009	$82,192,129	$62,559,360
2. Conversions at existing hospitals	2,802,304	4,838,536	2,088,737
3. Major rehabilitation and modernization at existing hospitals			19,170,100
4. Non-bed-producing projects	6,498,410	23,808,767	3,896,442
5. Construction of administrative facilities at hospital sites	5,133,149	308,149	74,702
6. Initial portable equipment	9,452,528	14,244,749	1,894,141
Obligations incurred	104,054,400	125,392,330	89,683,482

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
VETERANS' ADMINISTRATION			
Total number of permanent positions	535	565	440
Full-time equivalent of all other positions	573	443	900
Average number of all employees	1,054	932	1,323
Average salaries and grades:			
General schedule grades:			
Average salary	$4,749	$5,233	$5,301
Average grade	GS–8.2	GS–8.2	GS–8.3
01 Personal services:			
Permanent positions	$2,270,500	$2,550,886	$2,268,277
Part-time and temporary positions	2,412,569	1,866,126	3,789,000
Regular pay in excess of 52-week base		16,988	23,297
Payment above basic rates	21,000	20,000	20,000
Total personal services	4,704,069	4,454,000	6,100,574
02 Travel	75,073	105,000	86,000
03 Transportation of things	237,204	261,100	275,000
04 Communication services	6,672	9,600	11,000
05 Rents and utility services	14,084	20,300	21,000
07 Other contractual services	1,099,114	2,500,000	2,500,000
08 Supplies and materials	2,050,939	2,900,000	3,400,000
09 Equipment	10,340,649	15,500,000	11,000,000
10 Lands and structures	47,825,840	89,901,746	65,581,682
15 Taxes and assessments	18,759	30,000	50,000
Obligations incurred	66,372,403	115,681,746	89,025,256
ALLOCATION TO CORPS OF ENGINEERS, DEPARTMENT OF THE ARMY			
Total number of permanent positions	545	352	76
Average number of all employees	508	323	71
Average salaries and grades:			
General schedule grades:			
Average salary	$4,749	$5,233	$5,301
Average grade	GS–8.2	GS–8.2	GS–8.3
01 Personal services:			
Permanent positions	$2,298,859	$1,717,195	$367,213
Part-time and temporary positions			
Regular pay in excess of 52-week base		6,605	1,412
Payment above basic rates	7,724	4,000	2,375
Total personal services	2,306,583	1,727,800	371,000
02 Travel	55,450	35,300	8,100
03 Transportation of things	7,471	7,500	5,000
04 Communication services	26,696	20,000	10,000
05 Rents and utility services	42,078	5,000	1,000
06 Printing and reproduction	11,734	3,000	1,000
07 Other contractual services	379,904	200,000	142,000
08 Supplies and materials	144,207	125,000	75,000
09 Equipment	106,541	100,000	45,026
10 Lands and structures	34,601,079	7,486,684	
15 Taxes and assessments	254	300	100
Obligations incurred	37,681,997	9,710,584	658,226
SUMMARY			
Total number of permanent positions	$1,080	$917	$516
Full-time equivalent of all other positions	573	443	900
Average number of all employees	1,562	1,255	1,394
01 Personal services:			
Permanent positions	$4,569,359	$4,268,081	$2,635,490
Part-time and temporary positions	2,412,569	1,866,126	3,789,000
Regular pay in excess of 52-week base		23,593	24,709
Payment above basic rates	28,724	24,000	22,375
Total personal services	7,010,652	6,181,800	6,471,574
02 Travel	130,523	140,300	94,100
03 Transportation of things	244,675	268,600	280,000
04 Communication services	33,368	29,600	21,000
05 Rents and utility services	56,162	25,300	22,000
06 Printing and reproduction	11,734	3,000	1,000
07 Other contractual services	1,479,018	2,700,000	2,642,000
08 Supplies and materials	2,195,146	3,025,000	3,475,000
09 Equipment	10,447,190	15,600,000	11,045,026
10 Lands and structures	82,426,919	97,388,430	65,581,682
15 Taxes and assessments	19,013	30,300	50,100
Obligations incurred	104,054,400	125,392,330	89,683,482

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$223,385,143	$182,537,494	$98,608,792
Obligations incurred during year	104,054,400	125,392,330	89,683,482
	327,439,543	307,929,824	188,292,274
Deduct unliquidated obligations end of year	182,537,494	98,608,792	84,867,858
Total expenditures	144,902,049	209,321,032	103,424,416
Expenditures are distributed as follows:			
Out of current authorizations:			
Out of appropriations to liquidate contract authorization	144,902,049	9,081,952	59,000,000
Out of new obligational authority			26,001,288
Out of prior authorizations		200,239,080	18,423,128

Major Alterations, Improvements, and Repairs

Amounts available for obligation

Appropriation or estimate: 1953 ..... $4,000,000

Obligations by activities

Hospital facilities, non-bed-producing projects: 1953 ..... $4,000,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions			95
Full-time equivalent of all other positions			100
Average number of all employees			190
Average salaries and grades:			
General schedule grades:			
Average salary			$5,360
Average grade			GS-8.5
01 Personal services:			
Permanent positions			$471,328
Part-time and temporary positions			421,000
Regular pay in excess of 52-week base			3,432
Payment above basic rates			5,000
Total personal services			900,760
02 Travel			10,000
03 Transportation of things			10,000
04 Communication services			5,000
05 Rents and utility services			4,000
06 Printing and reproduction			75,000
07 Other contractual services			1,100,000
08 Supplies and materials			275,000
09 Equipment			1,614,240
10 Lands and structures			6,000
15 Taxes and assessments			4,000,000
Obligations incurred			

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Obligations incurred during the year			$4,000,000
Deduct unliquidated obligations, end of year			−2,500,000
Total expenditures			1,500,000
Expenditures out of current authorizations			1,500,000

National Service Life Insurance

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate:			
Annual definite	$31,600,000	$183,570,000	$54,072,000
Permanent indefinite	771,458	701,229	681,637
Prior year balance available	12,446,153	522,800	
Total available for obligation	44,817,611	184,794,029	54,753,637
Balance available in subsequent year	−522,800		
Obligations incurred	44,294,811	184,794,029	54,753,637

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Transfers to "National service life insurance fund, Veterans' Administration":			
(a) For death and disability claims traceable to extra hazards of military service:			
(1) Death claims	$33,995,078	$123,466,279	$8,860,372
(2) Disability claims	4,411,305	4,394,415	4,527,534
(b) For gratuitous insurance	4,840,417	6,228,572	None
(c) For waiver of recovery of erroneous payments or overpayments	107,202	75,934	75,934
(d) For deaths while under waiver provisions of Public Law 23, 82d Cong		49,680,000	40,365,000
Total transfers	43,354,002	183,845,200	53,828,840
2. Direct payments:			
(a) For insurance and disability income issued to persons partially disabled from a service-incurred disability:			
(1) Death claims	226,073	244,462	247,431
(2) Disability claims	63,170	64,884	84,108
(b) For claims where applications were rejected for medical reasons and claimant died in line of duty	91,058	108,057	102,741
(c) For claims where insured died after date of application but before effective date	199,957	228,981	217,309
(d) For claims on insurance discontinued because insured was discharged to accept commission, was absent without leave, or was court-martialed	245,945	302,445	273,208
(e) Adjustment to finance service obligations	114,606		
Total direct payments	940,809	948,829	924,797
Obligations incurred	44,294,811	184,794,029	54,753,637

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
11 Grants, subsidies, and contributions (payments to "National service life insurance fund, Veterans' Administration")	$43,354,002	$183,845,200	$53,828,840
12 Pensions, annuities, and insurance claims	940,809	948,829	924,797
Obligations incurred	44,294,811	184,794,029	54,753,637

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Obligations incurred during the year	$44,294,811	$184,794,029	$54,753,637
Expenditures are distributed as follows:			
Annual definite appropriations:			
Out of current authorizations	43,523,353	183,570,000	54,072,000
Out of prior authorizations		522,800	
Permanent indefinite appropriations:			
Out of current authorizations	771,458	701,229	681,637
Out of prior authorizations			

Serviceman's Indemnity

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate		$5,000,000	$8,595,000
Prior year balance available			120,152
Total available for obligation		5,000,000	8,715,152
Balance available in subsequent year		−120,152	
Obligations incurred		4,879,848	8,715,152

Obligations by activities

Monthly payments to beneficiaries (death awards):

1952	$4,879,848
1953	8,715,152

Obligations by objects

12 Pensions, annuities, and insurance claims:

1952	$4,879,848
1953	8,715,152

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Obligations incurred during the year		$4,879,848	$8,715,152
Expenditures are distributed as follows:			
Out of current authorizations		4,879,848	8,595,000
Out of prior authorizations			120,152

Veterans' Miscellaneous Benefits

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$71,100,000	$21,060,370	$27,206,000
Prior year balance available	15,014,510	24,846,003	5,224,089
Total available for obligation	86,114,510	45,906,373	32,430,089
Balance available in subsequent year	−24,846,003	−5,224,089	
Obligations incurred	61,268,507	40,682,284	32,430,089

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Burial allowances	$13,000,966	$13,063,000	$13,151,000
2. Vocational rehabilitation for disabled veterans:			
(a) Tuition	36,972,702	19,631,600	14,576,460
(b) Supplies	1,000,702	515,028	354,708
(c) Equipment	3,728,877	1,919,256	1,321,836
3. Housing grants for disabled veterans	6,565,260	5,553,400	3,026,085
Obligations incurred	61,268,507	40,682,284	32,430,089

Obligations by objects

12 Pensions, annuities, and insurance claims:

1951	$61,268,507
1952	40,682,284
1953	32,430,089

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unobligated obligations, start of year	$21,546,271	$18,991,021	$15,000,000
Obligations incurred during the year	61,268,507	40,682,284	32,430,089
	82,814,778	59,673,305	47,430,089
Deduct unliquidated obligations, end of year	18,991,021	15,000,000	10,000,000
Total expenditures	63,823,757	44,673,305	37,430,089
Expenditures are distributed as follows:			
Out of current authorizations	63,823,757	836,281	17,206,000
Out of prior authorizations		43,837,024	20,224,089

Grants to the Republic of the Philippines

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$650,000	$1,100,000	$1,861,500
Prior year balance available	9,400,000	9,400,000	7,410,000
Total available for obligation	10,050,000	10,500,000	9,271,500
Balance available in subsequent year	−9,400,000	−7,410,000	−3,410,000
Unobligated balance, estimated savings	−410,308		
Obligations incurred	239,692	3,090,000	5,861,500

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Construction and equipping of hospitals		$1,990,000	$4,000,000
2. Medical care and treatment of veterans	$239,692	1,100,000	1,861,500
Obligations incurred	239,692	3,090,000	5,861,500

Obligations by objects

11 Grants, subsidies, and contributions:

1951	$239,692
1952	3,090,000
1953	5,861,500

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$163,000	$106,517	$400,000
Obligations incurred during the year	239,692	3,090,000	5,861,500
	402,692	3,196,517	6,261,500
Deduct:			
Unliquidated obligations, end of year	106,517	400,000	500,000
Adjustments in obligations of prior years	130,600		
Total expenditures	165,575	2,796,517	5,761,500
Expenditures are distributed as follows:			
Out of current authorizations	165,575	700,000	1,361,500
Out of prior years authorizations		2,096,517	4,400,000

Automobiles and Other Conveyances for Disabled Veterans

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$1,175,000		$5,000,000
Unobligated balance, estimated savings	−2,377		
Obligations incurred	1,172,623		5,000,000

Obligations by activities

Purchase of automobiles and other vehicles:

1951	$1,172,623
1953	5,000,000

Obligation by objects

11 Grants, subsidies, and contributions:

1951	$1,172,623
1953	5,000,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$1,057,899	$1,424,161	
Obligations incurred during the year	1,172,623		$5,000,000
	2,230,522	1,424,161	5,000,000
Deduct:			
Adjustment in obligations of prior years	186,178		
Unliquidated obligations, end of year	1,424,161		
Total expenditures	620,183	1,424,161	5,000,000
Expenditures are distributed as follows:			
Out of current authorizations	345,423		5,000,000
Out of prior authorizations	274,760	1,424,161	

Mr. Thomas. The committee will please come to order. We have the pleasure of having with us this morning the Veterans' Administration, represented by its very able and distinguished Administrator, General Carl Gray, Jr., and his most efficient staff. We have with us also Mr. Sam Moore, Judge Moore, budget officer; Mr. Baker, his assistant; Mr. Wells of the Estimates Division; Mr. Corbitt, Director of Foreign Relations Service; Mr. Birdsall, Assistant Administrator

of Legislation; Mr. Curtiss, Assistant Administrator, Contact and Administrative Services; Mr. Kelsey, Assistant Administrator, head of Finance; General Dryden, and he is entitled to a promotion, Assistant Administrator, head of Construction, Supply and Real Estate. I do not know what we can do for our distinguished friend Howard here, who is getting a bad eye, he has been working too much; Judge Jarnagin, Chairman of the Board of Veterans Appeals; Judge Odom, Solicitor; Professor Stirling here, who has gone into the insurance business; Mr. Coile, Assistant Administrator, Vocational Rehabilitation and Education; Mr. Mason, Executive Assistant, Special Services; our very close friend, Dr. Joel T. Boone, Chief Medical Director, who is keeping the veterans well, Mr. Leyes, Program Analysis staff, who is also with the Department of Medicine and Surgery, Mr. Farris, Program Analysis staff, Department of Medicine and Surgery.

Have we overlooked anyone?

Mr. MOORE. We have an added starter, Mr. Monk, assistant to Mr. Coile.

Mr. THOMAS. Yes; we have known Mr. Monk favorably for a long time. We are delighted to have you with us, Mr. Monk.

General, if you have a statement, or any one of your staff has a statement, we will be delighted to hear from you.

GENERAL STATEMENT

General GRAY. Mr. Chairman, I have a very complete statement, and I should like to give you a portion of it verbally in order that I may give you the over-all picture, may I be collegiate and say at the kick-off.

I should like, therefore, to make the following statement, and to indicate that the entire statement, I believe, should be recorded, and I believe that the statement that I shall read is indicative of the general over-all picture, sir.

1953 APPROPRIATION ESTIMATES

The appropriation estimates of the Veterans' Administration for the 1953 fiscal year are presented herewith in a total amount of $4,059,173,500. This request is approximately $1,250,000,000 less than the amount actually obligated during fiscal year 1951 and approximately $327,000,000 less than appropriation requirements for the fiscal year 1952. The requirements for the fiscal year 1952 are composed of appropriations to date of $4,091,211,220 and pending supplemental appropriation requests as included in the budget of the United States for fiscal year 1953 of $295,254,000, making a total requirement of $4,386,465,220 for the current fiscal year. With the exception of approximately $30,000,000, which is necessary to meet the increased salaries provided by Public Law 201, Eighty-second Congress, supplemental requirements for the current year are needed for benefit payments. The statement entitled "Comparative summary of appropriations and appropriation estimates" on page 1 of the justification and explanation of appropriation estimates presents the appropriation requirements for the 1952 and 1953 fiscal years by individual appropriation items.

ANNUAL DEFINITE APPROPRIATION ACCOUNTS

The statement entitled "Summary Statement of All Annual Definite Appropriation Accounts" which appears as page 1 in the book of charts accompanying the justification and explanation of appropriation estimates presents the stauts of all annual definite appropriation accounts (excluding trust accounts and revolving funds) for the fiscal years 1951, 1952, and 1953 showing balances forwarded, adjustments, actual or estimated obligations for each fiscal year and appropriations available or estimated. A comparison of the total obligations for the 3 years discloses a decrease of approximately $215,000,000 from 1951 to 1952 and a further decrease of $1,070,000,000 from 1952 to 1953, so that estimated total obligations for fiscal year 1953 are approximately $1,285,000,000 less than actual obligations incurred during the fiscal year 1951. The item which contributes a major portion of this large decrease is the "Readjustment benefits" appropriation, where obligations in fiscal year 1953 are expected to decrease over $850,000,000 from those for fiscal year 1952 and over $1,300,000,000 from those incurred in fiscal year 1951. All other major appropriation items with the exception of "Compensation and pensions" show decreases in estimated obligations from fiscal year 1952 to fiscal year 1953. The "Compensation and pensions" appropriation continues to require an increasing appropriation each year due to the gradual increase in case load and the various public laws which increase the amount of payment to beneficiaries.

COMPARATIVE STATEMENT OF OBLIGATIONS BY EXPENDITURE AND MAJOR PURPOSE

The statement which follows presents a summary of obligations by object of expenditure and by major purpose for all appropriations for the fiscal years 1951, 1952, and 1953 showing the estimated changes in requirements between fiscal years 1952 and 1953. The estimated requirements for fiscal year 1953 in the various direct benefit categories are directly related to case loads which are based on a continuation of present favorable economic conditions and employment opportunities and do not give effect to pending legislation that may affect the average amount of beneficiary payments or extend benefits to those veterans not covered by existing laws.

Comparative statement of obligations—All annual definite appropriation accounts (excludes permanent appropriations, working funds, and trust accounts) by object of expenditure and major purpose (excluding revolving funds)

	Object of expenditure	Obligations, fiscal year 1951, actual	Obligations, fiscal year 1952, estimated [1]	Obligations, fiscal year 1953, estimated	Increase (+) or decrease (−), 1953 over 1952
01–08	Services, supplies, and materials:				
01	Personal services	$619,883,601	$654,505,057	$651,669,359	−$2,835,698
02	Travel, employee and beneficiary	11,517,967	13,573,500	11,870,467	−1,703,033
03	Transportation of things	4,917,167	5,988,029	5,129,841	−858,188
04	Communication services	3,794,062	3,974,631	3,948,794	−25,837
05	Rents and utilities services	14,706,583	10,235,333	10,409,005	+173,672
06	Printing and reproduction	2,957,374	2,224,000	2,401,000	+177,000
07	Other contractual services	97,896,791	104,246,852	99,214,964	−5,031,888
08	Supplies and materials	102,929,654	106,571,759	112,893,051	+6,321,292
09	Equipment	17,830,102	24,913,487	18,892,204	−6,021,283
10	Lands and structures	83,019,562	97,810,853	67,613,322	−30,197,531
11	Grants, subsidies, and contributions:				
	Autos and other conveyances for disabled veterans	1,172,623	25,000,000	5,000,000	−20,000,000
	Payments to States for administration of on-the-job training	3,010,428	3,013,862	2,400,000	−613,862
	Payments to States for administration of readjustment allowance program	2,431,897	1,349,601	929,058	−420,543
	Payment for care of veterans in State homes	3,528,953	3,900,000	4,095,000	+195,000
	Payment to U. S. Government Life Insurance Trust Fund	1,200,684	2,511,000	2,495,000	−16,000
	Payment to National Service Life Insurance Trust Fund	43,354,002	233,845,200	53,828,840	−180,016,360
	Payment to Republic of the Philippines:				
	For hospital construction		1,990,000	4,000,000	+2,010,000
	For medical care and treatment of veterans	239,692	1,100,009	1,861,500	+761,500
12	Pensions, annuities, and insurance losses:				
	Air Force, Army, and Navy pensions	2,171,172,166	2,164,671,440	2,204,351,000	+39,679,560
	Education and Training (Public Law 346)	1,943,340,599	1,485,544,663	624,424,264	−861,120,399
	Loan guaranty	90,108,049	75,749,779	72,544,208	−3,205,571
	Readjustment allowances	8,378,449	5,182,649	1,665,528	−3,517,121
	Military and naval insurance	4,749,901	4,589,775	4,445,821	−143,954
	National service life insurance	940,809	948,829	924,797	−24,032
	Servicemen's indemnities appropriation		4,879,848	8,715,152	+3,835,304
	Statutory burials	13,000,966	13,063,000	13,151,000	+88,000
	Tuition, supplies, etc. (Public Law 16)	41,702,281	22,065,884	16,253,004	−5,812,880
	Housing for disabled veterans	6,565,260	5,553,400	3,026,085	−2,527,315
13	Refunds, awards, and indemnities:				
	Taxes and assessments	278,059	1,016,709	1,617,417	+600,708
	Employees suggestion awards	41,190	26,000	40,000	+14,000
	Grand total, obligations	5,294,668,871	5,080,045,140	4,009,809,681	−1,070,235,459

[1] Includes supplementals listed in Budget of United States, fiscal year 1953.

VA REQUIREMENTS BY CATEGORIES

The table which appears below distributes the total requirements of the Veterans' Administration to cash payments to veterans, services rendered to veterans, construction costs, and administration costs, and shows the percentage relationship of each of these categories to the total requirement:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953
1. Benefits:			
(a) Cash payments	$4,325,685,789	$4,043,605,467	$3,010,824,699
(b) Services rendered	597,005,609	673,134,619	695,274,050
Subtotal benefits	4,922,691,398	4,716,740,086	3,706,098,749
2. Administrative costs	267,254,850	235,368,001	205,492,200
3. Capital additions and improvements	104,722,623	127,937,053	98,218,732
4. Grand total all annual appropriation accounts	5,294,668,871	5,080,045,140	4,009,809,681

Percentage to grand total all obligations against annual appropriation accounts

	Percentage fiscal year 1951	Percentage fiscal year 1952	Percentage fiscal year 1953
1. Benefits:			
(a) Cash payments	81.7	79.6	75.1
(b) Services rendered	11.3	13.3	17.3
Subtotal benefits	93.0	92.9	92.4
2. Administrative costs	5.0	4.6	5.1
3. Capital additions and improvements	2.0	2.5	2.5
4. Grand total all annual appropriation accounts	100.0	100.0	100.0

Mr. THOMAS. Between 92 and 93 percent of the cost of the Veterans' Administration program year by year goes to benefits?

Mr. BAKER. Yes, sir.

General GRAY. The veterans get the benefit to that extent.

Mr. PHILLIPS. How much?

Mr. THOMAS. Between 92 and 93 percent.

BENEFITS—CASH PAYMENTS

General GRAY. The amounts shown under this heading include payments to veterans or in their behalf for pensions, compensation, insurance, tuition, supplies, equipment, subsistence allowance, readjustment allowance, statutory burials, housing grants, and home loan guaranties. Also included in this category is the cost of automobiles for disabled veterans. The large reduction in direct benefit costs is due primarily to the sharp decline in the number of veterans in training under the provisions of Public Law 346. The average number of trainees expected during fiscal year 1953 is approximately 491,000, which is a reduction of over 1,000,000 from the average experienced in fiscal year 1951 and is approximately 685,000 below the average expected in fiscal year 1952. Payments to veterans for pensions and compensation are the only type of direct benefit payments which are expected to increase to any appreciable extent in fiscal year 1953 over prior years. This increase is based primarily on an increase in average case load from 3,032,637 experienced in fiscal year 1951 to approximately 3,095,000 in fiscal year 1952 and to approximately 3,179,000 in fiscal year 1953.

The President's budget for fiscal year 1953 contains proposed supplementals for later transmission in a total amount of $175,000,000. These supplementals are based on pending legislation to increase payments to various beneficiaries ("Compensation and pensions" appropriation, $100,000,000) and the extension of education and training benefits to veterans of the Korean conflict ("Readjustment benefits" appropriation, $75,000,000). These additional amounts are not included in this statement or supporting justification.

BENEFITS—SERVICES RENDERED

Included in this classification are the costs of beneficiary travel, counseling services, and medical care and treatment of veterans including such supporting services as medical research and education and training. The increase in this category is directly related to the increasing patient loads and the increasing number of hospital and domiciliary beds available. The additional number of available hospital beds results from the activation of new hospitals constructed under the authority contained in the "Hospital and domiciliary facilities" appropriation. As of June 30, 1951, there were 151 hospitals and 16 domiciliary facilities in operation. The present schedule contemplates the activation of 10 new hospitals and one domiciliary facility in fiscal year 1952 and 20 new hospitals during fiscal year 1953. During these fiscal years it is planned to close eight of our old hospitals, making a net increase for the period of 22 hospitals and one domiciliary facility, or a total of 173 hospitals and 17 domiciliary facilities in operation on June 30, 1953. The total authorized beds as of June 30, 1951, was 137,704 of which 119,736 were located in hospitals and 17,968 in domiciliary facilities.

Estimated average authorized beds in all VA hospitals and domiciliary facilities for the fiscal years 1952 and 1953 are 138,297 and 147,436, respectively. In fiscal year 1952, 120,229 are located in hospitals and 18,068 in domiciliary facilities. In fiscal year 1953 the estimated distribution is 129,280 in hospitals and 18,156 in domiciliary facilities.

ADMINISTRATIVE COSTS

The total administrative expenses required for supervising and directing all the activities of the Veterans' Administration are included in this category. As indicated by the preceding table these costs have been reduced in fiscal year 1953 by approximately $30,000,000 from those required for the current year and by over $60,000,000 from fiscal year 1951 even though average salaries have been increased due to pay-raise legislation.

The Veterans' Administration operated 576 stations as of December 31, 1951, including the central office in Washington, D. C. Included in this total are 8 district offices, 55 regional offices, 126 hospitals, 28 centers (2 district-regional office centers, 13 hospital-regional office centers, 13 hospital-domiciliary centers), 3 domiciliary facilities, 345 VA offices, 3 supply depots, 2 forms depots, 1 records center and 2 special offices. Of the 152 installations with hospital facilities, 98 were G. M. and S. hospitals, 34 were NP hospitals and 20 were TB hospitals. It is not expected that any major increases will be made during the fiscal years 1952 or 1953 in the number of stations in operation other

than the addition of new hospitals. The present operating plans of the Veterans' Administration indicate a reduction in the number of installations to be operated in fiscal year 1953 due to the consolidation of insurance activities and the policy of closing VA offices as the contact workload in the area serviced falls below a level consistent with the expense of operation. It is expected that the consolidation of insurance activities which has permitted the closing of three district offices will result in the closing of six more of these installations by the end of the current fiscal year. The number of VA offices was reduced from 461 to 345 during the year ended December 31, 1951, and is expected to be reduced further to approximately 190 by June 30, 1953.

Mr. PHILLIPS. You mean that you are going to close three more by June 30 of this calendar year?

General GRAY. By June 30 of this calendar year we will have consolidated at Fort Snelling the Chicago and the Seattle offices, and at Denver the St. Louis and Oakland offices.

Mr. PHILLIPS. You can testify to that later. I was just making sure it was this June 30th.

EMPLOYMENT

General GRAY. Yes, sir. The total number of persons on a full-time equivalent basis employed by the Veterans' Administration as of December 31, 1951, was 172,765, of which 170,790 were paid from appropriated funds and 1,975 from the Canteen Service revolving fund. Out of the 170,790 employees paid from appropriated funds, 170,302 were paid from the "Administration, medical, hospital, and domiciliary services" appropriation and 488 from the "Hospital and domiciliary facilities" appropriation. As of the end of the month prior to my appointment as Administrator of Veterans' Affairs (Dec. 31, 1947) the total number of persons employed by the Veterans' Administration was 195,054, of which 192,950 were paid from the appropriation for administrative expenses.

Although this reduction of over 22,000 in the number of employees during my 4-year period as Administrator indicates the progress made toward increased efficiency and economical operation, the decrease in personal services is even more significant when it is remembered that the number of hospitals and domiciliary facilities operated by the Veterans' Administration increased from 126 to 155 during this same 4-year period. The total employment requirements of the Veterans' Administration are expected to remain on approximately the December 31, 1951, level through the balance of the fiscal year 1952 and the fiscal year 1953 even though further reductions in administrative personnel are planned as additional personnel required to operate new medical facilities will offset these reductions. We are diligently continuing our prosecution of plans and programs for management improvement and work simplification in a determined effort to secure more value for each dollar spent for the cost of administering the various programs for the benefit of veterans and their dependents.

CONSOLIDATION OF 13 DISTRICT OFFICES INTO 4

I have recently ordered the consolidation of the 13 district offices of Veterans' Administration into four such offices to be located at Philadelphia, Pa.; Ft. Snelling, Minn.; Denver, Colo.; and some southern city yet to be determined where Government space is available. These offices conduct national service life insurance and death claims functions. This decision was made as a result of a long-range study which indicated that service to the veteran would not be impaired and that a savings to the Government would be realized. The first of these consolidations involving Boston, New York, Philadelphia, Richmond and Columbus is now nearly completed at Philadelphia, and the results are satisfactory. Service to the veteran has not been noticeably interrupted by the moves and the actual personnel savings exceed our initial expectations. It is presently planned to complete the consolidation of Chicago, Fort Snelling, and Seattle at Fort Snelling; St. Louis, Denver, and Oakland at Denver; and Atlanta with Dallas as previously indicated as soon as space is available.

The funds requested for fiscal year 1953 represent the minimum required to operate the programs affected after the above consolidations are completed.

CAPITAL ADDITIONS AND IMPROVEMENTS

Included in this classification are the estimated costs for the various programs authorized and requested under the "Hospital and domiciliary facilities" appropriation and "Major alterations, improvements and repairs" appropriation, including funds for major rehabilitation and modernization projects. The continuance of the new hospital construction program, which will result in 174 Veterans' Administration hospitals in operation at the completion of the program, constitutes a major portion of the requirements under this heading. Also included in this category is $15,000,000 for the fiscal year 1953 to be used for modernization projects. This amount represents the initial request for a program that must be continued if modern hospital facilities are to be available for the care of veteran patients. Many of the hospital and domiciliary facilities now being operated by the Veterans' Administration are not modern in any degree. Over 50 were constructed, at least in part, prior to 1928, and many of the buildings were constructed as early as the 1870's. Excluding facilities currently authorized for replacement, more than 47 percent of the buildings (i. e., 4,000 out of 8,340 buildings) representing approximately 13.7 million square feet or 18.5 percent of the total area occupied are either of temporary construction or are over 50 years old. Eighty-one of our stations have over 1,500 nonfireresistant buildings that are used or occupied by patients or domiciliary members.

JUSTIFICATION AND EXPLANATION OF APPROPRIATION ESTIMATES

The justification and explanation of appropriation estimates furnished herewith consists of two parts: (1) a narrative justification for each of the various appropriations containing a detailed explanation of the factors, such as number of veterans receiving the various direct benefit payments, average costs per beneficiary, number of veterans expected to receive hospital and out-patient care, and so forth, used in the computation of appropriation estimates, and (2) a book of statements and charts of a size too large to be included in either the narrative justification of this statement. In view of the detailed information presented in these two books my comments in this statement are confined to the over-all aims and objectives of the Veterans' Administration, the significance of present and expected trends in workloads and the progress which I believe we are making in administering the numerous and complex programs for which the Veterans' Administration is responsible.

This concludes my general statement with reference to the total appropriation requirements of the Veterans' Administration. I have an additional statement relative to requirements for administrative expenses which may be inserted in the record if the committee so desires. The Chief Medical Director and the various Assistant Administrators of the Veterans' Administration who are here with me will explain further the program and appropriation requirements for those services under their jurisdiction and will be glad to furnish any additional information you may request.

Mr. THOMAS. That is a very nice statement, General.

OUTLOOK WITH REFERENCE TO INCREASED BENEFITS

I wish you would briefly address yourself to this question, namely, the prospective outlook in the immediate future with reference to increased benefits to the veteran population and the approximate cost of those increases in benefits.

General GRAY. Well, Mr. Chairman, if I understand your question, are you anticipating the increased veteran load by virtue of the Korean situation?

Mr. THOMAS. No, I am talking about the increase in benefits. Of course, you may address yourself to that question also, as to what the anticipated increase in workload is over any given period of time and, of course, we realize that those figures must be subject to change, because you do not know what the casualty lists will be, but you certainly have some broad general idea of the increased workload due to the Korean war.

The first question was: What is the thinking of the Veterans' Administration with reference to increased benefits, regardless of which classification they may come in, direct benefits for the veterans or benefits for dependents of the veterans of whatever categories may be involved.

General GRAY. Well, as far as the Administrator is personally concerned he is conscious of the fact that there are many bills which have been introduced into the Veterans' Committee. Just what will come from them he is not conscious. He has made reports on numerous

bills, and after I get through with this general comment, if you want more detail Mr. Birdsall can give you specifically those pending pieces of legislation.

INCREASED WORKLOAD DUE TO THE KOREAN SITUATION

The question of the Korean sitaution, as it affects us is, may I say, twofold.

In the first place, the Administrator felt at the time of the outbreak of the Korean incident and the beginning of casualties that there was a classification of patients that did not justify the armed services in building up a medical department to care for, namely, those who could not be returned to duty, like the blind, the paraplegic, and the double and triple amputees, and so forth, and since that type of patient, in reality, fell to the Veterans' Administration's care he recommended to the Secretary of Defense, and secured the approval of the President, that those types of categories, which was later extended to include the TB patients and the NP patients, should be turned over to the Veterans' Administration pending their separation from the services by the respective departments of national defense.

The last figure that I have in my mind, and if someone has a later figure I wish they would supply it, is that about 2,700 such patients have been turned over to the Veterans' Administration for care, and we have placed them in our special places such as the Paraplegic Center, the Eye Center, and so forth.

It may please you to know that 2 weeks ago Monday the Administrator visited the Brooklyn Hospital where there were something like 40 Korean marines, and one of the greatest satisfactions that has ever come to his attention is the fact that he saw walking across the ward floor a double amputee, one who had had his new prosthetic legs for just 4 days, and there was another one who was walking after having them on for the second day.

In other words, the care and attention being given to those unfortunate boys was a most pleasing thing, and the manner in which they accepted them and learned how to walk with those new legs was the outstanding thing that he has seen in some time.

It is my best judgment and belief that all of the World War II benefits have been given to the Korean veterans with the exception of the so-called bill of rights, of Public Law 346. There are, as I say, several laws up in committee, or several suggested laws pending in committee. As to what those laws may be as ultimately enacted, I do not know, and you will remember my statement was that under these circumstances no amount was included in our budget estimate because we had no knowledge to believe or reason to know what might come from those proposed pieces of legislation.

TRANSFERS AND BED RESERVATIONS IN VA HOSPITALS FOR MILITARY PATIENTS

Mr. THOMAS. As the matter now stands, by virtue of the agreement between the Secretary of National Defense and the Veterans' Administration some 2,700 members of the armed services have been transferred to Veterans' Administration medical facilities pending the time when they actually become veterans.

General GRAY. Yes, pending their separation from the service by retirement or medical discharge.

Mr. THOMAS. Is that figure on the increase, and if so, what is approximately the month by month figure?

General GRAY. The following table shows the month by month transfers of patients:

Transfers and bed reservations in VA hospitals for military patients, July 1950–December 1951

Month	Total	General medical and surgical	NP	TB
Total	2,971	1,050	896	1,025
1950—July	3	2	0	1
August	85	11	10	64
September	79	15	8	56
October	153	7	33	113
November	66	3	4	59
December	113	33	21	59
1951—January	75	10	21	44
February	61	7	15	39
March	111	22	28	61
April	177	54	59	64
May	215	85	70	60
June	231	75	78	78
July	267	105	64	98
August	331	159	132	40
September	233	100	81	52
October	287	138	101	48
November	283	121	99	63
December	201	103	72	26

It has not, Mr. Chairman, been as rapid as we had hoped for, and we have urged the various departments of national defense to turn those patients over to us because we have facilities for caring for them and the talent, the capacity, and the doctors and the therapists to give them the type of attention that they require.

Mr. THOMAS. Over and above that 2,700 figure, how many of these service people are now in military and medical facilities undergoing treatment that eventually will come over to the Veterans' Administration for further care and attention?

General GRAY. The only figure I have on that, and that, of course, is a national-defense figure, and I will try to secure it for you if you want me to, is from the published reports both on the air and in the papers that there are in excess of 100,000 casualties.

Mr. THOMAS. And of that number you have only received around 3 percent?

General GRAY. Yes; around 3 percent.

Mr. THOMAS. Around 3,000 of them.

General GRAY. That is right.

KOREAN VETERAN BENEFITS AND COSTS

Mr. THOMAS. Addressing yourself again to the question of the prospective increased benefits to the veterans and its dollar cost on an annual basis, now just what has been done for the Korean veterans in the way of benefits?

General GRAY. Mr. Birdsall, will you give the committee the legislation that has been passed?

Mr. BIRDSALL. As to the Korean veterans and their dependents the legislation thus far enacted has given to them generally all of the benefits afforded to World War II veterans and their dependents, with the exception that the Korean veterans are not eligible for the education and training benefits under the Servicemen's Readjustment Act, and the guaranty of loans for home, farm, and business purposes, and for readjustment allowances.

Mr. THOMAS. Let us put those three exceptions in more understandable order. One is for business and farm loans, the other is the 52-20 club?

Mr. BIRDSALL. Yes, sir.

Mr. THOMAS. And what is the other?

Mr. BIRDSALL. Education and training.

Mr. THOMAS. What are the benefits that the veterans have been afforded?

Mr. BIRDSALL. All of the Public Law 16 benefits.

Mr. THOMAS. In other words, you have taken care of the disabled?

Mr. BIRDSALL. Yes.

Mr. THOMAS. Disabled from combat?

Mr. BIRDSALL. Yes.

Mr. THOMAS. And the education and training benefits have not been given to them?

Mr. BIRDSALL. However, Mr. Chairman, there are bills pending before the Committee on Veterans Affairs——

Mr. THOMAS. Let us deal with what has been passed.

Mr. BIRDSALL. Yes, sir.

Mr. THOMAS. What is the prospective cost on an annual basis of giving to the service-connected disabled these benefits, such as education and training?

Mr. BIRDSALL. I do not have that figure, Mr. Chairman.

Mr. THOMAS. That is a continuation of Public Law 16?

Mr. BIRDSALL. That is correct.

Mr. THOMAS. What is the prospective cost of that?

General GRAY. I believe Mr. Coile can answer that.

Mr. COILE. The cost for 1953 is included in the request for appropriation.

Mr. THOMAS. $50 million this year?

Mr. COILE. No, sir, I do not think it runs that high, sir. It is lumped in with our appropriation for vocational and rehabilitation training.

1952 DEFICIENCY APPROPRIATION REQUEST UNDER PUBLIC LAW 346

Mr. THOMAS. Is that the one you are asking a deficiency for?

Mr. COILE. No, sir, the deficiency is for World War II veterans.

Mr. THOMAS. That is because of the increase in benefits provided this last year for them and their dependents, is it not?

Mr. COILE. No, sir, the deficiency appropriation I am referring to, and which is with us today is because of the large number of World War II veterans who are pursuing courses under Public Law 346, a much larger number than was anticipated in the estimates presented to Congress last year.

Mr. THOMAS. Is that $50 million?

Mr. COILE. No, sir, it is about $148 million for the current year, as I recall.

Mr. THOMAS. That is one clasification, go ahead, General.

General GRAY. Mr. Chairman, frankly, the contemplated increase over the current budget or appropriation was brought about by virtue of the provision of the law which specified a date by which they must be in training in order to get within their entitlement. We had a greater increase in the number who were registered and in training on that date than we had anticipated we would have, and that, in reality, is the cause for the deficiency appropriation that we speak of.

Mr. THOMAS. It has nothing to do with the extension of Public Law 16, as far as the Korean situation is concerned?

General GRAY. That is correct. That is due to the increased registration of World War II veterans who, under the law, had to be in training by a certain date in order to get their entitlement.

ANTICIPATED COSTS OF EXTENDING FULL BENEFITS TO KOREAN VETERANS

Mr. THOMAS. What is the anticipated cost per year, as best you can estimate it, for the extension of Public Law 16, namely, service-connected injuries, as far as Korea is concerned?

General GRAY. We will give you that figure in a second.

Mr. BAKER. As far as the amount included in this estimate goes, Mr. Chairman, for the fiscal year 1953 very few of those veterans are expected to be in training during the current year, or the coming fiscal year.

Mr. THOMAS. What is the anticipated cost of extension, of giving to the Korean veterans full benefits under what we call 346, the GI bill of rights, namely, for home loans, education and training, making it applicable to all of them as well as service-connected disability?

Mr. BIRDSALL. Mr. Chairman, the Veterans' Administration furnished a report on a bill which is predicated on a study made by the Bureau of the Budget of H. R. 5040, and the companion bill is Senate 1940. In connection with that report there was a schedule of estimates beginning with the first fiscal year following its enactment. That bill, by the way, contained certain limitations and restrictions in the present program as it would be applicable to Korean veterans. That can be inserted in the record.

Mr. THOMAS. Do you remember the dollar mark on it, what the estimate was in dollars?

Mr. COILE. Of course, depending how early the legislation becomes law the load we have in 1953 might vary. If the enactment of it would occur in the spring of 1952 we estimate that there would be an average of 225,000 veterans in training during the fiscal year 1953. The cost during the fiscal year 1953 in that event would be approximately $246,180,000.

Mr. THOMAS. No part of that anticipated cost is reflected in this 1953 budget?

Mr. COILE. No, sir; none of it.

Mr. THOMAS. Now, Congress passed last September an extension of the program "Automobiles and other conveyances for disabled veterans." What is the anticipated cost of that bill, assuming that the Korean amputees will be added to it?

Mr. BAKER. That is in a supplemental request.

Mr. THOMAS. At present, they are not included in it?

Mr. BAKER. The supplemetnal request pending before the Bureau of the Budget, which I think will be before Congress very soon, is $25,000,000 for the current fiscal year, and $5,000,000 in 1953. We have only those included in this budget estimate.

Mr. THOMAS. But, as the matter stands today, the Korean amputees are not included in the Automobile Act, are they?

Mr. BAKER. Yes, sir; they are.

Mr. THOMAS. Are they included in that?

Mr. BAKER. Yes, sir.

Mr. THOMAS. And the anticipated cost for automobiles alone in 1952 is in the neighborhood of $25 million?

Mr. BAKER. And $5 million additional in 1953. We do not know to what extent that may be sufficient. It will depend on the number of amputees resulting from the Korean conflict.

INCREASES IN SERVICE-CONNECTED COMPENSATION FOR DISABILITY OR DEATH

Mr. THOMAS. Is there any other pending legislation that is likely to be enacted affecting cost to the Veterans' Administration that the Administartor has any knowledge of?

Mr. BIRDSALL. We also make reference to the budget message of the President in which he recommended specific increases in service-connected compensation for disability or death.

An amount has been set aside, as I understand it, for the fiscal year 1953 with reference to that particular proposal, which would probably be related to the bill which has passed the House. Bill H. R. 4394, Eighty-second Congress has already passed the House and is pending in the Senate, which would carry an over-all average of about an 8.7 percent increase on the service-connected disabilities and deaths.

Mr. THOMAS. Dollarwise, how much would that amount to a year in increases?

Mr. BAKER. The President's budget predicted a cost of $100 million for 1953 for that type of legislation.

ANTICIPATED TOTAL COSTS FOR ADDITIONAL BENEFITS TO VETERANS

Mr. THOMAS. So, wrapping it all up in one epproximate figure, what is the anticipated cost for additional benefits, and for the inclution of the additional veterans who are not drawing those benefits, for the years ahead, namely, the years 1953, 1954, and 1955, and so forth? What is that additional cost?

Mr. BAKER. Mr. Chairman, with the estimate based on the factors that we have discussed, approximately $350 million for 1953 and probably more if the total load increases subsequent to that.

Mr. THOMAS. A minimum of $350 million more than is now anticipated, as far as this budget is concerned?

Mr. BAKER. That is right.

Mr. ODOM. That is, assuming that the legislation which has been discussed is enacted in substantially this form.

Mr. THOMAS. $246 million is for educational benefits?

Mr. BAKER. Yes, sir.

Mr. ODOM. However, on that point, that $100 million increase in compensation would apply to World War II and World War I disability cases also, so that it would not be related entirely to the Korean conflict.

Mr. THOMAS. Your figure of $350 million is quite a modest estimate. The increase in benefits alone for World War I and World War II veterans and their dependents will be in the neighborhood of $100 million, and your inclusion of the Korean veterans under the GI bill will be about $250 million. Then you have your automobiles for disabled veterans, and so forth, and then when you add administrative expenses to it, it would be nearer to $450 million a year rather than $350 million.

Mr. COILE. I am not sure that I made plain that $246 million I referred to is in the fiscal year 1953. That is not the ultimate cost of the bill because the full impact would not be felt in the fiscal year 1953.

Mr. THOMAS. Yes; we realize that, but it is $246 million in your service-connected disabilities under Public Law 16.

Mr. COILE. They are included in the present budget.

Mr. THOMAS. What is that figure?

Mr. COILE. It is not broken down between Korean and World War II veterans.

Mr. Thomas. What is an approximate figure?

Mr. COILE. It is comparatively minor. I think, as I recall the figures, that we anticipate about 8,000 veterans taking vocational rehabilitation training. If that should be true it would be about $1,300 or $1,400 per year per case.

Mr. BAKER. Or approximately $10 million or $11 million.

Mr. THOMAS. Between $10,500,000 and $11 million. I believe you set that figure out in your justifications. So that it is really going up, is it not?

OVERCOMING OBSOLESCENCE OF PLANT

General GRAY. Yes, sir, and there is one other figure in there, Mr. Chairman, that, likewise, I would like to have you give careful consideration to, and that is that question of the $15 million which is in there for overcoming obsolescence of plant.

Mr. THOMAS. We will take that up later, General.

MAJOR ALTERATIONS, IMPROVEMENTS, AND REPAIRS

I notice you have some new language to take care of your minor repairs and alterations or rehabilitation. In other words, you have a program that is comparable with the Public Buildings and Grounds Administration in scope, but not in amount. The program is for improvements and repairs to hospital and domiciliary facilities where the cost of a project does not exceed $250,000.

General GRAY. Off the record.

(Discussion off the record.)

Mr. THOMAS. Judge Moore, you have certainly supplied the committee with some very inclusive tables, and the meat is here. I found a few words lacking, but maybe you can supply those words.

Mr. MOORE. The gentlemen on my right, I think, can supply those words, Mr. Chairman.

Mr. THOMAS. The tables are here.

COMPARATIVE SUMMARY OF APPROPRIATIONS AND ESTIMATES

Mr. Reporter, at this point in the record, insert table 1 showing a comparative summary of appropriations and estimates for the fiscal years 1952 and 1953 by your major programs starting with 1,000, through your medical program, namely 8,000, and on down.

(The matter referred to is as follows:)

Comparative summary of appropriations and appropriation estimates (excluding trust accounts)

	Fiscal year 1952			Appropriation estimate for fiscal year 1953	Increase (+) or decrease (−) 1953 over 1952
	Appropriated	Supplementals required (estimate)	Total (estimate)		
ANNUAL DEFINITE APPROPRIATIONS					
Administration, medical, hospital and domiciliary services	$873,105,770	$30,254,000	$903,359,770	$895,000,000	−$8,359,770
Compensation and pensions	2,112,230,000	42,000,000	2,154,230,000	2,204,351,000	+50,121,000
Readjustment benefits	861,640,000	148,000,000	1,009,640,000	698,634,000	−311,006,000
Veterans miscellaneous benefits	21,060,370		21,060,370	27,206,000	+6,145,630
Military and naval insurance	6,000,000		6,000,000	6,854,000	+854,000
National service life insurance	183,570,000	50,000,000	233,570,000	54,072,000	−179,498,000
Servicemen's indemnity appropriation	5,000,000		5,000,000	8,595,000	+3,595,000
Grants to Republic of the Philippines	1,100,000		1,100,000	1,861,500	+761,500
Hospital and domiciliary facilities	27,505,080		27,505,080	153,600,000	+126,094,920
Major alterations, improvements and repairs				4,000,000	+4,000,000
Autos and other conveyances for disabled veterans		25,000,000	25,000,000	5,000,000	−20,000,000
Total annual definite appropriations	4,091,211,220	295,254,000	4,386,465,220	4,059,173,500	−327,291,720
PERMANENT INDEFINITE APPROPRIATIONS SPECIAL ACCOUNTS					
Replacement of personal property sold	60,000		60,000	50,000	−10,000
Total general and special appropriations	4,091,271,220	295,254,000	4,386,525,220	4,059,223,500	−327,301,220

Mr. THOMAS. This table shows that for the fiscal year 1952 you had a total estimate of $4,386,465,220, and for 1953 you seek $4,059,173,500, a decrease for 1953 over 1952 of approximately $327,291,000.

ADMINISTRATION, MEDICAL, HOSPITAL, AND DOMICILIARY SERVICES

PERSONAL SERVICES

I think it would be well to insert the table on page 4 also, Mr. Reporter, at this point.

(The matter referred to is as follows:)

Administration, medical, hospital, and domiciliary services, comparison of personal services by program (totals)

Program	Actual fiscal year 1951		Estimated fiscal year 1952		Estimated fiscal year 1953		Increase (+) or decrease (−), 1953 over 1952	
	Average employment	Amount	Average employment	Amount	Average employment	Amount	Average employment	Amount
1000 General administration	21,637	$69,817,431	18,210	$65,943,888	16,397	$60,460,930	−1,813	−$5,482,958
2000 Contact	3,034	12,557,999	2,234	10,171,129	1,526	7,045,329	−708	−3,125,800
3000 Claims	8,890	39,285,291	7,821	38,773,658	7,468	36,959,953	−353	−1,813,705
4000 Insurance	14,372	46,282,122	11,985	42,513,326	10,186	35,313,705	−1,799	−7,199,621
5000 Vocational rehabilitation and education	10,116	43,995,252	6,220	29,915,329	4,526	22,274,529	−1,694	−7,640,800
6000 Loan guaranty	3,122	12,280,396	2,960	12,821,802	2,941	12,764,600	−19	−57,202
7000 Readjustment allowance	106	598,257	55	327,000	39	230,879	−16	−96,121
Total, programs 1000–7000	61,277	224,816,748	49,485	200,466,132	43,083	175,049,925	−6,402	−25,416,207
8000 Medical, hospital, and domiciliary:								
8100 Medical, hospital, and domiciliary administration	1,430	7,068,693	1,353	7,389,140	1,350	7,360,400	−3	−28,740
8200 Research	422	1,601,355	508	2,122,380	575	2,414,100	+67	+291,720
8400 Hospital care:								
Total	99,523	332,823,514	105,342	388,544,105	110,505	411,293,100	+5,163	+22,748,995
8410 NP hospital	31,592	101,504,677	32,915	117,410,100	33,523	119,888,100	+608	+2,478,000
8420 TB hospital	8,537	28,330,335	9,586	35,276,200	10,519	38,712,800	+933	+3,436,600
8430 General medical surgical hospital	59,394	202,988,502	62,841	235,857,805	66,463	252,692,200	+3,622	+16,834,395
8440 Cont. hospital								
8500 Domiciliary care	4,042	11,045,868	4,200	12,689,300	4,061	12,229,500	−139	−459,800
8600 Out-patient care	10,717	45,746,156	10,500	50,224,500	10,500	50,469,900		+245,4000
8700 Supply depots	538	1,728,087	487	1,735,000	495	1,866,600	+8	+131,600
Total 8000	116,672	400,013,673	122,390	462,704,425	127,486	485,633,600	+5,096	+22,929,175
Total gross obligations, all programs	177,949	624,830,421	171,875	663,170,557	170,569	660,683,525	−1,306	−2,487,032
Less: Q. S. and L.		−11,957,472		−14,847,300		−16,386,500		−1,539,200
Total net obligations, all programs	177,949	612,872,949	171,875	648,323,257	170,569	644,297,025	−1,306	−4,026,232

Mr. THOMAS. This table shows that for the fiscal year 1952, among other things, you had 171,875 employees and for 1953 you seek 170,569 employees, which is a decrease of 1,306 employees. This table gives a pretty complete picture of it.

General GRAY. Mr. Chairman, that is notwithstanding the increased number of employees required for the new hospital installations.

OBLIGATIONS BY OBJECTS

Mr. THOMAS. Which table is it, Mr. Moore, that shows your other objects, not by separate programs, but in total.

Mr. WELLS. The one on page 3 shows a comparison of obligations by objects.

Mr. THOMAS. Yes. Insert the table on page 3, Mr. Reporter.

(The matter referred to is as follows:)

Administration, medical, hospital, and domiciliary services—Comparison of obligations, by objects (totals)

Object of expenditure	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease (−) 1953 over 1952
01 Personal services:				
Average employment	177,949	171,875	170,569	−1,306
Salary cost (gross)	$624,830,421	$663,170,557	$660,683,525	−$2,487,032
02 Travel:				
Employee	4,496,571	5,253,921	4,707,567	−546,354
Beneficiary	6,890,603	8,178,779	7,058,800	−1,119,979
03 Transportation of things:				
Shipment of bodies	174,327	200,000	172,100	−27,900
Other	4,494,095	5,518,429	4,667,741	−850,688
04 Communication services	3,760,470	3,944,731	3,922,794	−21,937
05 Rents and utilities	14,649,871	10,209,433	10,383,005	+173,572
06 Printing and reproduction	2,944,309	2,220,000	2,400,000	+180,000
07 Other contractual services:				
Medical and dental fees	39,529,930	44,037,000	40,445,500	−3,591,500
Other	56,863,189	57,503,252	56,052,464	−1,450,788
08 Supplies and materials:				
Provisions	50,998,743	48,046,155	50,815,050	+2,768,895
Other	49,734,621	55,499,604	57,503,001	+2,003,397
09 Equipment	7,382,912	9,313,487	7,572,178	−1,741,309
10 Lands and structures	455,953	251,850	417,400	+165,550
11 Grants, subsidies, and contributions	8,971,278	8,263,463	7,424,058	−839,405
13 Refunds, awards, and indemnities	41,190	26,000	40,000	+14,000
15 Taxes and assessments (FICA)	259,046	986,409	1,561,317	+574,908
Less charges for quarters, subsistence, and lodging	−11,957,472	−14,847,300	−16,386,500	−1,539,200
Total obligations—all programs	864,520,057	907,775,770	899,440,000	−8,335,770
Transfer to GSA	+880,065	+7,758		−7,758
Reimbursements	−3,168,824	−4,423,758	−4,440,000	−16,242
Prior-year balance reappropriated	−179,000			
Proposed supplemental (pay increases)		−30,254,000		+30,254,000
Unobligated balance, estimated savings	+18,312,502			
Total appropriation	880,364,800	873,105,770	895,000,000	+21,894,230

Mr. THOMAS. This includes personal services and the other objects.

PERSONAL SERVICES

The personal-services cost alone for 1952 was $663,170,557 against $660,683,525 for 1953, which shows a decrease of $2,487,032.

RATIO OF PERSONAL SERVICES TO TOTAL APPROPRIATION

What proportion is your total personnel cost of your total appropriation? Have you figures that out, Mr. Moore?

Mr. MOORE. It is around 70 or 80 percent.

Mr. BAKER. Slightly over 70 percent.

Mr. THOMAS. Is it?

Mr. BAKER. That is right.

Mr. MOORE. No; I do not think that is right. You asked what the administrative payroll expense was compared to the total appropriation?

Mr. THOMAS. Your total appropriation for 1953 is $4,059,173,500, and you have a salary cost here of $660,683,525 for 1953.

General GRAY. In round figures we figure that the cost of administration was 5½ cents out of each appropriated dollar.

Off the record.

(Discussion off the record.)

Mr. BAKER. The salaries would be, roughly, 1.6 percent of the grand total as I figure it.

Mr. THOMAS. No; it figures about 16 percent.

Mr. BAKER. Yes.

TRAVEL

Mr. THOMAS. Taking your other objects here, travel is broken down into two parts. Your employee travel bill for 1952 was $5,253,921 as against $4,707,567 for 1953, or a decrease of $546,354 for 1953.

Now, your beneficiary travel for 1952 is $8,178,779 against a total of $7,058,800 for 1953. That is a decrease of $1,119,979 for 1953.

Now, do you have in here, Judge Moore, in any one place in the budget a justification for your other objects outside of personal services? I could not find it. I know it is scattered throughout the justifications by programs, but I mean do you have it in any one consolidated place?

Mr. BAKER. The details, Mr. Chairman, are spread throughout all the programs. This is the only place they are summarized in total amount.

Mr. MOORE. We would be very glad to work those figures out and insert them for you, Mr. Chairman.

BENEFICIARY TRAVEL

Mr. THOMAS. In your detailed justification your beneficiary travel is set out at $7,058,800. Explain what items of cost go into making up that $7,058,800.

Mr. BAKER. Mr. Chairman, the principal reason for that is the transportation of beneficiaries to hospitals or medical facilities for examination or treatment, and some transportation of Public Law 16 cases in connection with their educational requirements. I think that is about all.

LEGISLATIVE AUTHORITY FOR TRAVEL PAYMENTS TO BENEFICIARIES

Mr. THOMAS. I wonder if you will be good enough to read into the record at this point the legislative authority for the payment of these transportation costs of the beneficiaries.

Mr. ODOM. That is Public Law 312, Seventy-fourth Congress.

Mr. THOMAS. Read that section into the record at this point.

Mr. ODOM. I do not have it here, Mr. Chairman.

Mr. THOMAS. Does anyone have it here? Somebody is bound to have it here. Can you not read it into the record right quick? Is that under Public Law 16, or which section is this? You have two parts here as well as I recall. Can you put your finger on it?

Mr. BIRDSALL. Public Law 312 of the Seventy-fourth Congress, approved August 23, 1935, to amend section 6 of Public Law 2, Seventy-third Congress, March 20, 1933, as amended, reads as follows:

SEC. 6. In addition to the pensions provided in this title the Administrator of Veterans' Affairs is hereby authorized under such limitations as he may prescribe, and within the limits of existing Veterans' Administration facilities, to furnish to men discharged from the Army, Navy, Marine Corps, or Coast Guard for disabilities incurred in line of duty or to those in receipt of pension for service-connected disability, and to veterans of any war, including the Boxer Rebellion and the Philippine Insurrection, domiciliary care where they are suffering with permanent disabilities, tuberculosis, or neuropsychiatric ailments and medical and hospital treatment for diseases or injuries: *Provided*, That any veteran of any war who was not dishonorably discharged, suffering from disability, disease, or defect, who is in need of hospitalization or domiciliary care and is unable to defray the necessary expenses therefor (including transportation to and from the Veterans' Administration facility), shall be furnished necessary hospitalization or domiciliary care (including transportation) in any Veterans' Administration facility, within the limitations existing in such facilities, irrespective of whether the disability, disease, or defect was due to service. The statement under oath of the applicant on such form as may be prescribed by the Administrator of Veterans' Affairs shall be accepted as sufficient evidence of inability to defray necessary expenses.

Mr. THOMAS. That was passed in 1935 or 1936?

Mr. BIRDSALL. In 1935, on August 23.

BENEFICIARY TRAVEL

Mr. THOMAS. And the sum and substance of it that under certain limitations, which the Veterans' Administration can impose upon itself, it can pay to any veteran, service-connected, or non-service-connected, his transportation costs. The act does not say from what points to what points; it says to medical facilities. What do you construe that to mean?

General GRAY. From his domiciliary, wherever he may be.

Mr. THOMAS. That includes service-connected and non-service-connected disability?

Mr. ODOM. I think, originally, in Public Law No. 2, Seventy-third Congress, authorized the President to prescribe by Executive order the conditions under which the benefits of that act would be extended, and that it also provided in section 19 that any of those Executive orders issued by the President, pursuant to section 6 of that act, which remained in effect 2 years would become positive law, subject to change only by the Congress. The Executive order which was issued with reference to the matter, I think, was V. R. 7, which was amended from

time to time, but in the event it remained in effect 2 years after January 20, 1933, it became law.

It has been amended by statute on one or two occasions, but that provision, and the provisions with respect to the furnishing of prosthetic appliances, while changed, has not been materially changed.

So far as Public Law No. 16 is concerned, I do not recall any specific mention of travel, but the Administrator has broad authority to do whatever is necessary to restore the employability of a veteran handicapped by service-connected disability.

Insofar as Public Law No. 346 benefits are concerned, title II, education and training, that statute specifically provides that transportation will not be paid.

For your convenience, the following provisions of law are included:

[PUBLIC LAW 660—80TH CONGRESS]

[CHAPTER 486—2D SESSION]

[H. R. 5134]

AN ACT To amend Public Law Numbered 432, Seventy-sixth Congress, to include an allowance of expenses incurred by Veterans' Administration beneficaries and their attendants in authorized travel for vocational-rehabilitation purposes

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That Section 1 of Public Law Numbered 432, Seventy-sixth Congress, approved March 14, 1940 (54 Stat. 49), as amended, is hereby amended to read as follows:

"That the Administrator of Veterans' Affairs is hereby authorized, under regulations to be prescribed by the President, to pay the actual necessary expenses of travel, including lodging and subsistence, or in lieu thereof an allowance based upon the mileage traveled, of any person to or from a Veterans' Administration facility or other place in connection with vocational rehabilitation or for the purpose of examination, treatment, or care: *Provided*, That payment of mileage in connection with vocational rehabilitation or upon termination of examination, treatment, or care may be made prior to completion of such travel: *And provided further*, That when any such person requires an attendant other than an employee of the Veterans' Administration for the performance of such travel, such attendant may be allowed expenses of travel upon a similar basis."

Approved June 16, 1948.

VETERANS REGULATION NO. 6 (a), AS AMENDED

ELIGIBILITY FOR DOMICILIARY OR HOSPITAL CARE, INCLUDING MEDICAL TREATMENT

* * * * * * *

III. To persons unable to defray the cost thereof, transportation and other necessary expenses incidental thereto will be supplied to cover travel to a Veterans' Administration facility for domiciliary or hospital care; to cover return travel to the place from which the person proceeded to the facility, when he is regularly discharged upon completion of such care; and to cover travel involved in a transfer, deemed necessary, from one Veterans' Administration facility to another. All such travel will be subject to grant of prior authorization therefor. In the event of death of any such person within the continental limits of the United States prior to his discharge from such care, transportation expenses (including preparation of the body) for the return of the body to the place of burial within the continental limits of the United States, or to the place of burial in Alaska if the veteran was a resident of Alaska and had been brought to the United States as a beneficiary of the Veterans' Administration for hospital or domiciliary care, may be paid in the discretion of the Administrator of Veterans' Affairs, when deemed necessary and as an administrative necessity. In the event of death of any such person in a Territory or possession of the United States transportation expenses (including preparation of the body) for the return of the body to place of burial within the Territory or possession may be paid.

[PUBLIC LAW 16—78TH CONGRESS], AS AMENDED

[CHAPTER 22—1ST SESSION]

[S. 786]

* * * * * * *

"SEC. 3. The appropriation for the Veterans' Administration, 'Salaries and expenses, medical and hospital, and compensation and pensions', shall be available for necessary expenses under part VII, as amended, or part VIII of Veterans Regulation Numbered 1 (a), and there is hereby authorized to be appropriated such additional amount or amounts as may be necessary to accomplish the purposes thereof. Such expenses may include, subject to regulations issued by the Administrator and in addition to medical care, treatment, hospitalization, and prosthesis, otherwise authorized, such care, treatment, and supplies as may be necessary to accomplish the purposes of part VII, as amended, or part VIII of Veterans Regulation Numbered 1 (a)." * * *

Mr. THOMAS. Then the Veterans' Administration reads into Public Law 16 that transportation will be paid to beneficiaries under that act?

Mr. ODOM. For limited purposes only, to send them for necessary treatment, and in order to proceed to the place to take their training and to return home. It does not generally pay transportation for them to go to school.

Mr. THOMAS. No transportation is paid to any of the veterans in the education and training program; is that correct?

Mr. ODOM. That is correct.

Mr. THOMAS. You pay the transportation bills of non-service-connected cases as well as service-connected cases?

Mr. ODOM. The non-service-connected cases are furnished transportation only under the same conditions that we furnish hospital care; namely, that they execute an oath stating that they are unable to supply themselves with it.

Mr. THOMAS. Do they all furnish an oath?

General GRAY. Yes, sir; they do.

Mr. ODOM. When I say they do not pay transportation for veterans to go to school, I mean daily transportation to go to school, but to get to a specific school they do.

Mr. THOMAS. Is that in Public Law 346?

Mr. ODOM. No; that is in 16 by virtue of the making of arrangements necessary to rehabilitate them.

Mr. THOMAS. You are only referring to Public Law 16?

Mr. ODOM. That is right.

Mr. THOMAS. Those are service-connected injuries?

Mr. ODOM. That is right.

Mr. THOMAS. What about 346?

Mr. ODOM. We pay nothing.

Mr. THOMAS. Why is this item "Transportation of beneficiaries" on the increase? I notice in 1951 it was $6,890,603. In 1952 it jumped to $8,178,779, and now in 1953 it is dropping to $7,058,800, which is still approximately a couple of hundred thousand dollars more than it was in 1951. Just what strings do the Veterans' Administration keep on this travel item, if any?

Mr. BAKER. The primary increase, Mr. Chairman, would be due to a greater number of patients requiring care in medical facilities. A part of the drop in 1953 over 1952 is partially due to the decreased load of Public Law 16 trainees, which has gone down slightly.

Mr. THOMAS. What will be your unexpended balance, if any, based upon your current expenditures for 1952 of this travel money for the beneficiaries?

Mr. BAKER. To the best of our belief, at the present time, Mr. Chairman, it would be a very small amount. Since we cannot tell definitely until after the year has ended, we believe we do have a fair estimate of our requirements.

Mr. THOMAS. Do you have any figures with you as to what the amount of expenditures for the month of January, December, or November for beneficiary travel has been?

Mr. BAKER. We have them through the end of December, Mr. Chairman.

Mr. WELLS. The amount of $3,276,269 had been obligated as of December 31st, Mr. Chairman.

Mr. THOMAS. $3,276,269?

Mr. WELLS. That is right.

Mr. ANDREWS. That is the amount obligated?

Mr. WELLS. That amount was obligated.

Mr. THOMAS. According to that, out of your 1952 funds, you would have almost an unexpended balance, if it keeps up at that rate, of around $1,500,000.

I am just wondering, in view of the increased number of hospitals coming into operation every day, why this transporation item should not be decreased.

General GRAY. Decreased by virtue of not having to ship them so far?

Mr. THOMAS. That is right.

General GRAY. There is one factor in here, Mr. Chairman, that has to be taken into consideration, to a certain degree, and that is the increased cost of transportation per individual passenger-mile, which the Interstate Commerce Commission has granted.

Mr. THOMAS. Yes; that has gone up some.

General GRAY. Unfortunately, estimating to the *n*th degree the number of this type of cases is extremely difficult, as was illustrated a moment ago by me when I indicated that we had a much larger number who got into training incident to that cut-off date, a much larger number than was anticipated.

Mr. THOMAS. Are those service-connected or non-service-connected cases?

General GRAY. Those were non-service-connected cases.

Mr. THOMAS. They do not get this travel?

General GRAY. I was not speaking of travel, but I was using that as an illustration of the difficulty in estimating what might happen in connection with these cases.

Mr. THOMAS. Where a non-service-connected veteran lives 50 or more miles from the hospital, does not his family often drive him over to the hospital, or is it just a matter of course that he is admitted to the hospital, and he is ipso facto given a check for transportation, even though he may have driven over to the hospital in his own automobile?

General GRAY. It all depends on the condition of the man at the time he is entered into a hospital. We do not encourage and volunteer to give him transportation to and from the hospital, but if his condi-

tion is such that he cannot be adequately transported, then we will authorize transportation or furnish it for him. I have reference to ambulance cases more than anything else.

Mr. THOMAS. Of course, in connection with your non-service-connected cases you have a very small number of ambulance cases, I imagine.

General GRAY. The necessary attendants would also have a decided effect on that, Mr. Chairman.

RENTS AND UTILITIES

Mr. THOMAS. I see that your rents and utilities will jump from $10,209,433 in 1952 to $10,383,005 in 1953, an increase of $173,572. What is the bulk of this money spent for, power?

Mr. BAKER. Power, utility services, lights, and rentals.

Mr. THOMAS. What part of it is rents?

Mr. BAKER. I think I can give that to you in just a moment, Mr. Chairman. The estimates for rent for real estate for administrative purposes for 1952 were $95,000 and for 1953, $70,396.

Mr. THOMAS. So, 95 percent of this $10 million is what?

Mr. BAKER. There are also some equipment rentals in there of approximately $2 million a year, the rental of International business machines, and the rental of equipment of various kinds which we cannot buy outright.

Mr. THOMAS. That is the reason I asked a while ago if you had a composite justification rather than justifications scattered out by programs.

On page 73 you set out a very small table on transportation of things, communication services, rents and utilities, printing and reproduction, other contractual services, supplies and materials, and equipment.

Mr. BAKER. I might add that the table on page 73 has to do with general administrative expenses, and does not include rents and utilities and other objects in the medical program.

Mr. THOMAS. Yes; it is a partial table.

Mr. BAKER. Yes.

Mr. THOMAS. Under rents and utilities, about $70,000 is broken down for rents, and about $2 million is for your tabulating machines, your IBM machines, I presume?

Mr. BAKER. That is right.

Mr. THOMAS. Then that will leave about $6,500,000 for power, current, and what else?

Mr. WELLS. On page 136, Mr. Chairman, there is a table that refers to the medical part, and that shows about $8 million in rents and utility costs that is applicable to hospitals and other medical facilities.

Mr. THOMAS. That is not an addition to this figure of $10 million?

Mr. WELLS. No; that is included in it.

Mr. THOMAS. What is the breakdown, roughly, of your $10 million now?

Mr. WELLS. About $70,000 for real estate, about $2 million for equipment rental in the administrative programs, and about $300,000 for utility service in these programs, and then about $8 million for similar services in the medical program.

Mr. THOMAS. You mean for power, current, water, and so forth?

General GRAY. Yes; for light, heat, and power.

Mr. THOMAS. About $8 million of your $10 million goes to your program 8,000?

Mr. WELLS. Yes, sir, that is right.

OTHER CONTRACTUAL SERVICES

Mr. THOMAS. What about your 07 program. Other contractual services, here? You have medical and dental fees, around $44 million for 1952, and $40,445,500 for 1953, a decrease of $3,591,500.

Mr. BAKER. Those are fees paid to non-VA doctors and dentists, Mr. Chairman.

Mr. THOMAS. Now, you have "other" here. For 1952 under "other" you have over $57 million against $56,052,464 for 1953, a decrease of $1,450,788. What is included in "other"?

Mr. BAKER. $51,839,000 of that "other" is included in the medical-service program.

Mr. THOMAS. For what?

Mr. BAKER. Repairs to furniture and equipment; repairs to buildings; laundry and towel service; storage, maintenance, and repair of motor vehicles; miscellaneous fee services; miscellaneous administrative and operating services; and contract burials.

That is on page 216; the table there is for the hospital and home programs.

Mr. THOMAS. What about your table on page 73?

Mr. BAKER. That includes that portion chargeable to general administration.

Mr. THOMAS. There you have storage, maintenance, and repair of vehicles, $50,000; repairs of furniture and equipment, $330,000; maintenance and operation of buildings, $277,184; laundry and towel service, $5,680; and miscellaneous, administrative, and operating services, $550,000. Is this included in your figure of $56,052,464 for 1953 against $57,503,252 for 1952?

Mr. BAKER. That is correct.

Mr. THOMAS. How much of that is chargeable to program 8,000, medical facilities?

Mr. MOORE. It is about $50,200,000 in 1952.

Mr. BAKER. It is $51,839,000 for 1953.

Mr. THOMAS. $51,839,350 is charged to your medical program?

Mr. BAKER. Yes.

Mr. THOMAS. Where is your other $6,000,000 charged?

Mr. BAKER. That would be, in part, for counseling fees and book-handling charges in the educational program.

Mr. COILE. $2,641,000 is in the 5,000 program, made up of fees for counseling, and the book-handling charge.

Mr. THOMAS. Now, on page 213 under your medical program here you set out a table under your other contractual services and your table there on page 213 does not give it.

Mr. BAKER. That is the portion that is chargeable to the hospital in-patient program.

Mr. THOMAS. How do you break down that $51 million under your 8,000 program in addition to your other $40 million under your fees to outside doctors?

Mr. WELLS. About $45,600,000 is chargeable to hospitals, about $1,000,000 in chargeable to domiciliary facilities, $2,200,000 for out-patient care, $1,700,000 for medical research, and $800,000 for medical education and training.

Mr. THOMAS. What makes up that item of $45 million for hospitals?

Mr. WELLS. The three types of hospitals. The NP hospitals account for $5,200,000; TB hospitals account for $1,987,000; GMS hospitals account for $14,000,000, and contract hospitals account for the balance of $24,000,000. That makes the $45,000,000.

Mr. THOMAS. What are the items, not the amounts; what are the items—maintenance and operation?

Mr. BAKER. Repairs to furniture and equipment and repairs to buildings are the major items.

Mr. THOMAS. That is the point I am getting at. Has not that program been charged to maintenance and operation of buildings?

Mr. BAKER. Under other contractual services; yes, sir.

Mr. THOMAS. Has it not always been charged here under 07?

Mr. BAKER. That is right. There is a special limitation on that.

Mr. THOMAS. Now, you have a special appropriating program that takes care of that in 1953; is that correct?

Mr. BAKER. That is a separate appropriation.

Mr. THOMAS. Over and above this?

Mr. BAKER. That is right; over and above this. This is the normal, routine, day-to-day maintenance and repair.

Mr. THOMAS. And your other program is repairs and alterations costing less than $250,000 for each project?

Mr. BAKER. That is correct.

Mr. THOMAS. Does any of this $45 million for your hospitals include salaries?

Mr. BAKER. No, sir. It is done by contract and does not include salaries paid by the VA.

Mr. THOMAS. It looks to me like this item of $56 million could be drastically reduced, then. What is your unobligated balance as of today of that $57 million for 1952? What was it, say, on December 31, or as of any recent date you have?

Mr. BAKER. $35 million, approximately, unobligated as of the end of December.

SUPPLIES AND MATERIALS

Mr. THOMAS. Your supplies and materials jump $2,768,895, from $48,046,155 to $50,815,050.

Mr. BAKER. That is food for patients in hospitals and domiciliary facilities.

Mr. THOMAS. What do you figure it costs you today for food in domiciliary facilities per patient?

Mr. FARRIS. The cost in domiciliaries is approximately 78 cents a day per patient.

Mr. THOMAS. What is this "Other," where you lump it in for 1952—$55,499,604 for 1952 against $57,503,001 for 1953, an increase of $2,003,397?

Mr. BAKER. That includes drugs and medical supplies for use in hospitals, out-patient clinics, and domiciliary facilities. That is the major portion of it.

Mr. THOMAS. You have office supplies, books in library, fuel supplies. I thought that would come under other contractual services. You have gasoline and oils, other operating supplies, materials for fabrication, flags for $305,982. Is any part of this charged under warehouses and depots?

Mr. BAKER. Only that portion that is used for depot operations—a very small amount.

Mr. THOMAS. What part of this $57 million for 1953 is chargeable to hospitals?

Mr. WELLS. $54.6 million for the total medical program.

Mr. THOMAS. That is about 99 percent of it, then.

General GRAY. We are operating 154 hospitals.

Mr. THOMAS. Of that $54.6 million out of a total of $57.5 million, what part goes for medicine?

Mr. WELLS. $54.6 million out of the $57.5 million is chargeable to the medical program.

Mr. THOMAS. What part goes to medicine? What is the breakdown of the $54.6 million? You have around $3 million to play with outside of hospitals. What do the hospitals spend that $54.6 million for?

Mr. FARRIS. Would you like the detail of that by program area?

Mr. THOMAS. Just roughly.

Mr. FARRIS. Approximately $7,600 in special services, a very nominal sum. I cannot give you the figure of the 8130 without making the addition. In 81, research is approximately $500,000.

Mr. THOMAS. For what could that be?

Mr. FARRIS. For research supplies in the operation of research laboratories in our hospitals; about $100,000 in our education and training program for the procurement of various models, motion picture production, books, and so forth in the training prgram; and about $45 million in the hospitals themselves.

Mr. THOMAS. Of what is the $45 million made up?

Mr. FARRIS. You want the details, such as drugs, medicines, procurement of supplies in connection with fabrication of various prosthetic devices, procurement of various prosthetics which are used in the treatment of patients, and medical supplies?

Mr. THOMAS. You have $1 million charged under the research program for prosthetic devices. Is that in addition to it?

Mr. FARRIS. There are no prosthetic devices procured in the research program. These costs are all in developmental work.

Mr. THOMAS. How much of this approximate $55 million goes for medicine?

Mr. FARRIS. Approximately $54.6 million in total for the 8,000 program.

Mr. THOMAS. It is not that much. You gave me a figure a while ago of $45 million.

Mr. FARRIS. That is only in hospitals.

Mr. THOMAS. You mean you spent over $10 million for medicine outside of hospitals?

Mr. FARRIS. About that.

Mr. THOMAS. Whereabouts?

Mr. FARRIS. Not necessarily $10 million for medicines. We have the domiciliary program which requires approximately $1 million in connection with its operation, and $8.6 million in the out-patient program.

Mr. THOMAS. I am talking about medicine now—drugs.

Mr. FARRIS. That would not be that much for just medicines and drugs.

Mr. THOMAS. How much would it be? Did not you give me a figure of $45 million awhile ago?

Mr. FARRIS. That is for all supplies.

Mr. THOMAS. That is what I am talking about.

Mr. WELLS. I think about $23.9 million is the amount used for medicines.

Mr. THOMAS. $23.9 million out of $57 million?

Mr. WELLS. In hospitals.

Mr. THOMAS. What about in domiciliary homes?

Mr. WELLS. That is for hospitals and domiciliary homes.

Mr. THOMAS. Does that include out-patient clinics, too?

Mr. WELLS. No, sir.

Mr. THOMAS. How much additional for that?

Mr. FARRIS. Approximately $9 million for out-patient clinics.

Mr. THOMAS. $32 million for medicine, then, in all facilities—hospitals, domiciliary homes, and out-patient clinics?

Mr. FARRIS. About $54 million, approximately, for those three items.

Mr. THOMAS. That does not add up. I put down here $23 million for medicines in your hospitals, $1 million in your domiciliary homes, and I believe you gave me a figure of $9 million, which seems out of line, for out-patient clinics.

Mr. FARRIS. I think possibly the figure of approximately $9 million you mentioned for clinics is a total, and the correct amount for drugs and medicines for this program is about $4 million.

Mr. THOMAS. That is what I am talking about. What is the total figure for drugs and medicines in hospitals, domiciliary homes, and out-patient clinics? According to the figures you gave me, it figures about $32 million. Is that correct?

Mr. FARRIS. No; $28 million. In domiciliaries, that figure would be about $100,000; in out-patient clinics for drugs and medicines only, about $4 million, and 23.8 million in hospitals.

Mr. THOMAS. $23 million plus $4 million would be about $28 million for medicines throughout the entire program rather than $32 million.

Mr. FARRIS. That is correct.

GRANTS, SUBSIDIES, AND CONTRIBUTIONS

Mr. THOMAS. What about grants, subsidies, and contributions, $8,263,463 in 1952 against $7,424,058 in 1953, or a decrease of $839,405? What is that?

Mr. BAKER. That is in part for the vocational rehabilitation program. There is $2.4 million there.

Mr. THOMAS. Is this your grants and subsidies in your No. 11 object classification?

Mr. BAKER. Yes; Object No. 11.

Mr. THOMAS. For what is that?

Mr. BAKER. Payments to States for supervision of the educational programs; payments to States for administering the readjustment-allowance program. That is less than $1 million.

Mr. THOMAS. That is your 52–20 clubs?

Mr. BAKER. That is right.

Mr. THOMAS. I notice you want 16, 18, or 20 people in the District of Columbia to help wind that program up. When was it to be off your books?

Mr. KELSEY. Under the terms of Public Law 346 as amended, those benefits will be terminated for World War II veterans on July 25, 1952. But the Voluntary Recruitment Act of 1945 provides that those men enlisting between October 6, 1945, and October 5, 1946, will have the same benefits for readjustment allowances extended beyond July 25, 1952. So, we estimate that during the 1953 fiscal year there will be somewhere in the neighborhood of about 1,500 per week who will be entitled to unemployment allowances after July 25, 1952.

Mr. THOMAS. What are your other items; administration of the 52–20 clubs and what else?

Mr. BAKER. Payment to State homes for care of veterans in State homes, $4,095,000 estimated for 1953.

Mr. THOMAS. What are the other items?

Mr. BAKER. That covers the total amount of $7 million.

Mr. THOMAS. Namely, for the two big items of the 52–20 clubs and payments to States for administering State homes for veterans?

Mr. WELLS. Supervision of education and training calls for $2.4 million and about $900,000 for the 52–20 clubs and about $4,095,000 for State homes, bringing the total up to $7 million.

Mr. THOMAS. In view of the falling off of beneficiaries under your education and training programs, cannot you reduce that $2 million drastically for 1953 for payments to States for supervision of that program?

Mr. COILE. This is reduced, Mr. Chairman, by $613,862 over our anticipated expenditures this year. That is from $3,013,862 down to $2,400,000.

Mr. THOMAS. What is the contractual arrangement that you make with the States? How often do you review the contracts?

Mr. COILE. We review the contracts yearly. It is a reimbursement contract for two purposes. One is for inspecting and supervising establishments providing training on the job to veterans under Public Law 346; the second is the inspection and supervision of profit and trade schools.

EQUIPMENT

Mr. THOMAS. What about the equipment item, 09, of $9,313,487 in 1952 against $7,572,178 in 1953, or a decrease of $1,741,309 in 1953? For what are those items?

Mr. BAKER. Generally, the majority of them, $6,679,000, are in the medical program, and again it is for equipment in hospitals and domiciliary facilities.

Mr. THOMAS. What about the cumulative program where you want $2 million this year for equipment for your hospitals? The limitation on the authorization this year you want to kick up to $35 million which, in truth and in fact, is about a $5 million increase over last

year. The limitation put on last year was $25 million, and you seek to kick that up to $30 million or $35 million. Is not any part of that money expended in this program?

Mr. BAKER. No, sir. The item you speak of is initial equipment for new hospitals, which is paid out of the "Hospitals and domiciliary facilities" appropriation, and the item we are discussing is in the "Administration, medical, hospital, and domiciliary service" appropriation and is entirely for replacement of equipment at existing stations.

Mr. THOMAS. That is $6 million of the $7.5 million?

Mr. BAKER. $6,679,000.

Mr. THOMAS. What is the unexpended balance as of December 31 for that item?

Mr. BAKER. About $6.6 million.

Mr. THOMAS. Then you have not spent any of your money. That is all you had appropriated for that purpose. What goes with the other approximately $1.5 million? Six million dollars plus goes to hospitals, and you have $7.5 million here. What is the rest?

Mr. BAKER. Office equipment at our administration offices.

Mr. THOMAS. What is the nature of that equipment?

Mr. WELLS. $16,475 is passenger-carrying vehicles; furniture and equipment is $800,000; non-passenger-carrying vehicles is $24,675; and other utilities and operating equipment is $50,000, or a total of $892,000.

Mr. THOMAS. Gentlemen, in order to save your time and the committee's time, let me skip about this program. I think we are all familiar with it theoretically, and the most of us know it fairly well.

MEDICAL, HOSPITAL, AND DOMICILIARY CARE; AND CAPITAL EXPANSION PROGRAM

Let us look at your 8000 program.

At this point in the record we will insert pages 133 and 134.

(The matter above referred to is as follows:)

PROGRAM 8000: MEDICAL, HOSPITAL, AND DOMICILIARY CARE; AND 9000 CAPITAL EXPANSION PROGRAM, $696,500,000

The Veterans' Administration is authorized to furnish medical, hospital, and domiciliary care to eligible veterans of all wars under authority of Public Law 90, Sixty-fifth Congress, October 6, 1917 (38 U. S. C. 706), and subsequent acts and regulations issued pursuant thereto.

Program 8000: Medical, hospital, and domiciliary program covers all costs directly related to medical and domiciliary care, except the construction or acquisition of new facilities, which are provided by the appropriation "Hospital and domiciliary facilities." This program includes:

Program 8100—Medical, hospital, and domiciliary administration (central office): This program is subdivided as follows:

8110—Department of Medicine and Surgery.

8120—Special services (excluding administration of the veterans canteen service).

8130—Construction, supply, and real estate.

Program 8200—Medical research.

Program 8300—Education and training of personnel of the Department of Medicine and Surgery.

Program 8400—Hospital care (in-patient): This program covers all costs directly related to medical care except the costs of construction, major altera-

tion, or rehabilitation of facilities. It is subdivided according to type of hospital as follows:

8410—Neuropsychiatric.
8420—Tuberculosis.
8430—General medical and surgical.
8440—Contract hospitals (non-VA operated).

Program 8500—Domiciliary care: This program is subdivided as follows:

8510—Operating costs (except construction, major alterations, etc.) of Veterans' Administration homes.
8520—Costs of domiciliary care furnished beneficiaries in State soldiers' home.

Program 8600—Out-patient care: This program covers the cost of out-patient medical and dental examinations and treatments in VA regional offices and hospitals.

Program 8700—Supply depot operations: This program covers all cost incurred in the operation of the supply depots.

Program 9000—Capital expansion: This program includes:

9100—Alterations and improvements for out-patient clinics.
9600—Alterations and improvements for supply depots.

For the fiscal year 1952, it is estimated that $700,940,000 will be needed for programs 8000 and 9000.

Reimbursements for services to non-VA beneficiaries of $4,440,000 will reduce cash requirements to $696,500,000. This is an increase of $21,914,920 above the $674,585,080 which it is estimated will be available during the current fiscal year.

This estimate is based on the operation of 190 installations; 187 hospitals, 14 of which have domiciliary homes attached, and domiciliary centers which are not connected with hospitals.

The total average capacity for fiscal year 1952 is 129,280 authorized hospital beds and 18,156 domiciliary beds. It is estimated that an average of 102,000 patients and 17,000 members will be cared for daily in Veterans' Administration-operated hospitals and homes; in addition, there will be 6,588 patients in non-VA-operated hospitals and 8,190 members in state homes.

Approximately 1,955,000 individuals will visit for medical purposes and 332,400 dental examinations and treatments will be completed in the Veterans' Administration out-patient clinics and 785,000 individuals will visit private physicians and 163,000 dental examination and 249,500 dental treatment cases will be completed by fee-designate dentists.

Mr. THOMAS. Give us a little general picture of your hospitals, Admiral Boone. Your total cost for the hospital program this year is $696.5 million. That does not include your construction cost?

Admiral BOONE. That is just the operating cost.

HOSPITAL AND DOMICILIARY BEDS

Mr. THOMAS. How many beds do you have? General Gray dealt with this subject in his opening statement, but I think it will be well to repeat part of it. The total bed capacity for 1952 is 129,280 authorized hospital beds in addition, I might add, to 18,156 domiciliary beds. Is that correct?

Admiral BOONE. Yes, sir.

Mr. THOMAS. A total average capacity of 129,280 in your hospitals and 18,156 domiciliary beds?

Admiral BOONE. That is right.

Mr. THOMAS. You estimate an average of 102,000 patients will be cared for in your hospitals; so that you are going to have a daily patient load of 102,000 in hospitals, when you have 129,280 beds, and 17,000 members will be cared for daily in Veterans' Administration operated hospitals and homes and, in addition, there will be 6,588 patients in non-VA operated hospitals and 8,190 members in State-operated homes.

How many new beds over and above the 129,000 do you intend to bring into operation in 1953?

General GRAY. That includes all increases and brings the figure up to an average of 129,000 by virtue of openings within the fiscal year.

Mr. THOMAS. You state the average for fiscal 1952 is 129,000.

Mr. WELLS. I think that should be 1953, Mr. Chairman.

Mr. BAKER. That is a typographical error.

Mr. THOMAS. That is 1953 rather than 1952?

Admiral BOONE. Yes.

Mr. THOMAS. Of your 129,280 beds, how many new beds does that include for 1953? Did I see a figure of 15,000 beds some place?

Admiral BOONE. That is approximately correct.

Mr. PHILLIPS. You mean additional beds?

Admiral BOONE. Yes, sir.

Mr. THOMAS. Fifteen thousand in 1953. Out of your entire program, how many beds does that leave remaining to be brought into occupancy?

General GRAY. May I answer that to this extent, that there are some of these new hospitals which produce a substitution for existing temporary hospitals, so that it is a plus-and-minus figure, and when we tell you how many new beds are coming in, we likewise have to give you the figure of the number of beds that are closed in semipermanent or temporary hospitals.

Mr. THOMAS. Now your bed capacity is getting away from you if you have 129,280 beds in the hospital program for 1953 and the bed occupancy is only 102,000. There is a lot of newspaper talk circulating over the country that the Veterans' Administration even as of today is getting too many beds for too few patients, and your own figures show in the neighborhood of about 20 percent bed vacancy, which is far too high; is it not?

General GRAY. May I illustrate what I mean? We opened a 500-bed GMS hospital on February 3, 1952, and have 34 hospitals in the new construction program. The next one will be Iowa City on March 2; then Louisville on April 20; New Orleans on July 13; then Salt Lake on July 20; and Boston on July 27. Without exact dates of opening, there are also included in the first 6 months, or the balance of this fiscal year, East Orange, N. J., which will be completed in April; Philadelphia in April; Kansas City in June; Birmingham, Ala., in May; Durham in June, Syracuse in July. The balance will be opened in the fiscal year 1953, such as Baltimore; an addition to Minneapolis; St. Louis; Salisbury; Pittsburgh NP; Ann Arbor, Mich.; West Haven, Conn.; and Chicago Research.

Mr. THOMAS. When you finish and occupy those additional hospitals you have mentioned, your ratio in 1953 of bed vacancy is going to increase. You have a 20 percent bed vacancy now, and when you get this money it is going up to 25 or 30 percent; is it not?

General GRAY. No. I think we have to study the curve of opening hospitals on the basis of the capacity of the staff to care for patients; for instance, we appoint some of the managers, supply officers, and key personnel 90 days before the hospital is ready to open. These personnel then recruit and train the personnel required to activate the new hospital.

Mr. THOMAS. General, it is inevitable, if your vacancy now is 20 percent of the total available hospital beds, if you are bringing more beds into use during this year and certainly in subsequent years, that your vacancy rate is going to increase from 20 percent on up to no telling what—25, 30, or even 35 percent.

General GRAY. May I illustrate another angle to that? We have virtually no patients or patient load at Minot, Fargo, Miles City, and other places of that type. Applications for hospitalization are down for the simple reason that the patient load is not there.

Mr. THOMAS. Here is an article which bears out your figure of a 20 percent bed vacancy by Mr. James Donald of the Scripps- Howard staff, which says that the vote-conscious Congress either overdid it or VA cannot get patients to seek admission to its hospitals.

General GRAY. Certain ones of them we cannot. That is correct.

Mr. THOMAS. It looks like it is about time to stop your construction program, then; is it not?

General GRAY. That is up to the discretion of the Congress, who ordered us to build them.

Mr. THOMAS. Well, these matters certainly ought to be brought to the attention of the President. If you have more hospital beds than you can fill now and have 20 percent vacancy, there is no need of spending the taxpayers' money for building more hospitals and increasing your ratio between occupancy and vacancy.

General GRAY. May I take an illustration and show the exact situation at Indianapolis? We are occupying two hospitals in Indianapolis now. The new one is permanent, the other is a very temporary one at Fort Benjamin H. Harrison. In addition, we have the Cold Springs Hospital which will be converted to tuberculosis, and at that point, Fort Benjamin H. Harrison will be given up entirely and the two remaining hospitals will have full patient loads.

Many of our new hospitals will run this way. For example, the one at Brooklyn is running at 90 percent occupancy or better. However, they can only be fully utilized if the patient load is available. There are hospitals in remote places where the patient load is just not available, and there are others that are incapable of getting adequate staff even though the patient load is available.

Mr. COTTON. Does that include Manchester, by the way?

General GRAY. No, sir.

Mr. COTTON. I heard somewhere that they had not the patient load there. Is that true?

General GRAY. There are no waiting lists at Manchester. I do not remember the occupancy figure at the moment—I can furnish you with that—but Manchester has not been one that is very low.

Mr. ANDREWS. What about the TB hospitals; are they filled?

General GRAY. The TB and NP hospitals are more crowded than any of our hospitals.

Mr. ANDREWS. Could not you reconvert some of the NP's to TB's?

General GRAY. We are doing that constantly.

Mr. ANDREWS. I know I have more complaints about patients failing to get into a hospital with TB than anything else.

General GRAY. That is absolutely correct. That is why I told you about the Cold Springs Hospital. We are making these changes constantly in order to bring the allotment of beds in keeping with the current load.

Mr. ANDREWS. What is the average occupancy of TB hospitals?

Admiral BOONE. 75 percent, but our problem there is primarily inability to staff presently existing beds.

MEDICAL, HOSPITAL, AND DOMICILIARY PROGRAM

Mr. THOMAS. At this point in the record we will insert the table on page 2, dealing with medical facilities, programs 800 through 8700, and we will follow that with the table covering the same matter on page 4.

(The matters above referred to are as follows:)

Administration, medical, hospital, and domiciliary services—comparison of obligations by program (totals)

	Program	Actual fiscal year 1951	Estimated fiscal year 1952	Estimated fiscal year 1953	Increase (+) or decrease (−) 1953 over 1952
8000	Medical, hospital, and domiciliary:				
8100	Medical, hospital, and domiciliary administration	7,856,856	8,326,740	8,217,600	−109,140
8200	Research	4,978,568	4,471,100	5,500,000	+1,028,900
8300	Education and training	1,413,553	1,500,000	1,575,000	+75,000
8400	Hospital care (total)	461,695,848	526,856,264	552,520,050	+25,663,786
8410	NP hospitals	132,575,275	150,358,463	152,707,600	+2,349,137
8420	TB hospitals	36,872,779	45,399,976	48,730,700	+3,330,724
8430	GMS hospitals	265,864,792	304,723,450	326,680,350	+21,956,900
8440	Contract Hospitalization	26,383,002	26,374,375	24,401,400	−1,972,975
8500	Domiciliary care	21,522,795	24,303,776	24,209,500	−94,276
8600	Out-patient care	100,783,921	110,994,000	106,136,100	−4,857,900
8700	Supply depots	2,136,914	2,209,200	2,258,500	+49,300
	Increase in depot inventory	1,270,174			
	Total, program 800	601,658,629	678,661,080	700,416,750	+21,755,670

Administration, medical, hospital, and domiciliary services—comparison of personal services by program (totals)

Program	Actual fiscal year 1951		Estimated fiscal year 1952	
	Average employees	Amount	Average employees	Amount
8000 Medical, hospital, and domiciliary:				
8100 Medical, hospital, and domiciliary administration	1,430	7,068,693	1,353	7,389,140
8200 Research	422	1,601,355	508	2,122,380
8400 Hospital care, total	99,523	332,823,514	105,342	388,544,105
8410 NP hospital	31,592	101,504,677	32,915	117,410,100
8420 TB hospital	8,357	28,330,335	9,586	35,276,200
8430 GMS hospital	59,394	202,988,502	62,841	235,857,805
8440 Contract hospital				
8500 Domiciliary care	4,052	11,045,868	4,200	12,689,300
8600 Out-patient care	10,717	45,746,156	10,500	50,224,500
8700 Supply depots	538	1,728,087	487	1,735,000
Total 8000	116,672	400,013,673	122,390	462,704,425

Program	Estimated fiscal year 1953		Increase (+) or decrease (−) 1953 over 1952	
	Average employees	Amount	Average employees	Amount
8000 Medical, hospital, and domiciliary:				
8100 Medical, hospital and domiciliary administration	1,350	7,360,400	−3	−28,740
8200 Research	575	2,414,100	+67	+291,720
8400 Hospital care, total	110,505	411,293,100	+5,163	+22,748,995
8410 NP hospital	33,523	119,888,100	+608	+2,478,000
8420 TB hospital	10,519	38,712,800	+933	+3,436,600
8430 GMS hospital	66,463	252,692,200	+3,622	+16,834,395
8440 Contract hospital				
8500 Domiciliary care	4,061	12,229,500	−139	−459,800
8600 Out-patient care	10,500	50,469,900		+245,400
8700 Supply depots	495	1,866,600	+8	+131,600
Total 8000	127,486	485,633,600	+5,096	+22,929,175

PERSONNEL

Mr. THOMAS. This shows, among other things, that you have 122,390 employees in the medical service in 1952, and that is increased to 127,486 in 1953. even though you have a big difference there between bed occupancy and the actual number of beds, namely, 20 percent.

MEDICAL RESEARCH

Looking at the different programs under medical facilities, I note your research program has 508 employees in 1952 as against 575 for 1953 at a total cost in 1953 of $2,414,100 as against $2,122,380 in 1952. And you can add to that the cost of your "other objects," which was gone into a while ago. So that you can figure your research program for 1953 is costing you roughly in the neighborhood of $3 million. Why cannot that be drastically reduced during the period of stress and strain?

Admiral BOONE. Personnel staffing will be required for 24 new laboratories which will be activated in new hospitals and, in addition, there are certain staffing requirements to completely activate other laboratories already partially activated. Wherever we have a teaching institution, it is essential that research facilities be available in order that they may be used clinically in the treatment of patients. In addition to these general research laboratories, we have radioisotope laboratories which occupy an important place in diagnostic and therapeutic medicine.

Mr. THOMAS. I read that justification, and is not the Atomic Energy Commission, which wants to apply $25 million to that kind of a program, far better able to do that than the Veterans' Administration?

Admiral BOONE. In modern medicine, you should have facilities for diagnosis and therapy where you have the patients.

Mr. THOMAS. I am talking about the isotope program.

Admiral BOONE. That is therapy.

Mr. THOMAS. That is their regular field.

Admiral BOONE. Some of the results of our investigative work in the research program represent major contributions in the field of modern medicine. For example, the research and developmental work on the adaptation and application of the scintillation counter for diagnosis and treatment of diseases of the thyroid to replace the present inadequate basal-metabolism-rate apparatus and the use of radioactive material in the diagnosis and localization of brain tumors.

General GRAY. I would like, without being a scientist but a rather hard-boiled engineer, to say to you that in my travels and in my discussions with the medical profession and the deans of university schools of medicine that they consider the moneys that we spend for research in connection with our care of patients as being an outstanding contribution to better care.

Mr. THOMAS. How much money are you spending with research institutions out of this $3 million?

Admiral BOONE. $1,646,000. That is contractual.

Mr. THOMAS. That is in addition to the $2,414,000 salary costs set out here. That other comes under "other contractual service"?

Admiral BOONE. Yes, sir.

Mr. THOMAS. What is that figure for research—the fees that you pay to your medical colleges and other research institutions?

Admiral BOONE. $1,646,000.

Mr. THOMAS. It is a pretty good guess that when you add that $1.7 million to the $2.4 million plus "other objects" your research program is costing you at least $5 million.

Admiral BOONE. The estimate is $5.5 million.

General GRAY. That is the total figure for the total research program.

Admiral BOONE. That is for the entire research program and includes prosthetics.

CONTACT SERVICE PROGRAM

Mr. THOMAS. Let us look at the contact services.

At this point in the record we will insert page 80 of the justifications.

(The matter above referred to is as follows:)

PROGRAM: 2000 CONTACT, $7,231,329

The mission of the Contact Service is to furnish information and assistance to veterans, their dependents and beneficiaries, and to their representatives, pertaining to the preparation, development, and presentation of claims under the laws administered by the VA and to provide general information concerning activities of all Federal, State, and local agencies which administer benefits and provide services to veterans and their dependents.

The following table affords a comparison of the fiscal year 1953 estimated average employment and obligations by object with corresponding actual data for fiscal year 1951 and estimates for fiscal year 1952:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease, (−), 1953 over 1952
Departmental:				
Average employment	59	54	51	−3
Salary cost	$269,063	$270,785	$258,809	−$11,976
Employee travel cost	$12,810	$17,000	$15,000	−$2,000
Taxes and assessments	$102	$450	$500	+$50
Total obligations	$281,975	$288,235	$274,309	−$13,926
Field:				
Average employment	2,975	2,180	1,475	−705
Salary cost	$12,288,936	$9,900,344	$6,786,520	−$3,113,824
Employee travel cost	$130,111	$208,462	$162,500	−$45,962
Taxes and assessments	$1,873	$5,912	$9,500	+$3,588
Total obligations	$12,420,920	$10,114,718	$6,958,520	−$3,156,198
Less Q. S. and L.	$1,737	$1,800	$1,500	−$300
Net total obligations	$12,419,183	$10,112,918	$6,957,020	−$3,155,898
Recapitulation:				
Average employment	3,034	2,234	1,526	−708
Salary cost	$12,557,999	$10,171,129	$7,045,329	−$3,125,800
Employee travel cost	$142,921	$225,462	$177,500	−$47,962
Taxes and assessments	$1,975	$6,362	$10,000	+$3,638
Total obligations	$12,702,895	$10,402,953	$7,232,829	−$3,170,124
Less Q. S. and L.	$1,737	$1,800	$1,500	−$300
Net total obligations	$12,701,158	$10,401,153	$7,231,329	−$3,169,824

COST OF PROGRAM

Mr. THOMAS. This program will cost you for 1953, $7,231,329 as against $10,401,153 for 1952. Of course, that does not include your other objects, which will run it up to about $10 million. Is that correct?

Mr. BAKER. That is the total cost of the program.

Mr. THOMAS. You mean it includes your other objects?

Mr. BAKER. Yes, sir; other than the general administrative office expenses.

NUMBER OF EMPLOYEES

Mr. THOMAS. And you have 1,526 employees for 1953 as against 2,234 employees in 1952.

SUGGESTED REDUCTION IN PROGRAM

Gentlemen, this program has been going on now for 5 or 6 years. The benefits are increasing or the amount of money to pay benefits is increasing. Why cannot you drastically reduce this contact program? This is one of the sore spots in the program. The veterans do not know now and the social agencies in the community are not able to inform the veteran of his rights and benefits, and he writes to you and writes to Members of Congress. In other words, we have to make some savings some place if we are going to keep on increasing the actual benefits to veterans. And if we are going to increase them, certainly you ought to do away with some of the administrative costs, and every dollar you pay for administrative costs just takes away that many dollars from the veteran in the form of ultimate benefits. Why cannot this program be drastically reduced?

General GRAY. May I suggest that Mr. Curtiss tell you of the reductions he is making in the program, even at that figure?

CONTACT OFFICES

Mr. CURTISS. Under this figure of 1,526, we would have to depart from the formula agreed to by the Bureau of the Budget and the Veterans' Administration last year, and take steps to close 200 offices between now and the end of March this year, whereas we had contemplated closing only 44 under the formula. We review our figures every 4 months and close the offices when they fail to maintain substantial workloads. You may recall that in a letter addressed to each Member of Congress we said that under the formula we would close offices when visitors were less than 450 east of the Mississippi and 350 west of the Mississippi.

Mr. THOMAS. What is the total number of contact offices today?

Mr. CURTISS. 343 as of today. We had 345 as of December 31, 1951. We just closed two.

Mr. THOMAS. Now let us take a look at Brother Howard. What about your workload? It is falling off drastically; is it not?

Mr. HOWARD. It is not falling off too much, Mr. Chairman.

Mr. THOMAS. We will insert pages 84 and 85 at this point in the record.

(The matter above referred to is as follows:)

PROGRAM 3100: CLAIMS SERVICE, $26,310,707

The estimated costs of the Claims Service for the fiscal year 1953 totaling $26,310,707 cover the cost of personal services, and employees travel:

The following table shows for departmental and field offices the average man-years employment requirements, net salary costs, and costs of other objects for each of the fiscal years 1951, 1952, and 1953:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease (−), 1953 over 1952
Departmental:				
Average employment	990	954	917	−37
Salary cost	$4,443,698	$4,759,465	$4,531,814	−$227,651
Employee travel cost	$27,043	$27,000	$54,740	+$27,740
Taxes and assess	$612	$2,166	$5,000	+$2,834
Total cost departmental	$4,471,353	$4,788,631	$4,591,554	−$197,077
Field:				
Average employment	5,856	4,866	4,414	−452
Salary cost	$25,405,649	$23,912,009	$21,681,603	−$2,230,406
Employee travel cost	$26,860	$46,957	$24,350	−$22,607
Taxes and assess	$3,438	$9,866	$22,000	+$12,134
Total cost field	$25,435,947	$23,968,832	$21,727,953	−$2,240,879
Recapitulation:				
Average employment	6,846	5,820	5,331	−489
Salary cost	$29,849,347	$28,671,474	$26,213,417	−$2,458,057
Employee travel cost	$53,903	$73,957	$79,090	+$5,133
Taxes and assess	$4,050	$12,032	$27,000	+$14,968
Gross total cost	$29,907,300	$28,757,463	$26,319,507	−$2,437,956
Less: Q. S. and L	−$8,820	−$8,800	−$8,800	
Net total cost	$29,898,480	$28,748,663	$26,310,707	−$2,437,956

The funds requested for the claims service program are to provide for the administration and adjudication of disability compensation and pension benefits payable to living veterans and the compensation, pension, burial, and insurance benefits payable to dependents and beneficiaries of deceased veterans. (Funds for payment of benefits are largely provided under the appropriation "Compensation and pensions.")

The amount of $26,310,707 estimated for the fiscal year 1953 is approximately 1.19 percent of the estimated benefits to be paid from "Compensation and pension" appropriation during the fiscal year. This percentage compares with 1.33 percent estimated for the current year 1952 and 1.38 percent for the past year 1951.

In general, claims from veterans of World War I, World War II, and Regular Establishment are adjudicated in regional offices, claims from dependents and beneficiaries of deceased veterans of World Wars I and II are adjudicated in district offices, while claims of all other types of veterans or their dependents and beneficiaries are adjudicated in central office.

The following table lists average employment by activity in the departmental service (central office) and the field service (district offices, regional offices, centers, and Manila) for th fiscal years 1951, 1952, and 1953:

Average number of personnel

Function and office level	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease (−) 1953 over 1952
Departmental:				
Office of Assistant Administrator	4	4	4	
Veterans' Claims Service	280.9	262	244	−18
Dependents and beneficiaries, Claims Service	567.4	550	530	−20
Claims Statistics Service	118.5	118	119	+1
Committee on Waivers and Forfeitures	19.2	20	20	
Total, departmental	990.0	954	917	−37
Field:				
Veterans' Claims Service	4,765	3,887	3,424	−463
Dependents and beneficiaries, Claims Service	1,091	979	990	+11
Total, field	5,856	4,866	4,414	−452
Grand total	6,846	5,820	5,331	−489

NOTE.—The Office of the Assistant Administrator is responsible for the over-all planning and policy for the Claims Service.

COST OF PROGRAM

Mr. THOMAS. It shows here that this bureau has to have over $26 million in 1953 as against $28,748,663 for 1952.

Mr. HOWARD. That is right.

Mr. THOMAS. That is your field and all of your other objects?

Mr. HOWARD. Yes, sir.

EMPLOYEES

Mr. THOMAS. You have in the departmental service, for 1953, 917 employees as against 954 for 1952, and in the field you have 4,414 for 1953 as against 4,866 for 1952, which makes the total for 1953 around 5,500.

Mr. HOWARD. Yes, sir. That is a reduction of about 490 over 1952. The amount of $26,310,707 estimated for fiscal year 1953 is approximately 1.19 percent of the estimated benefits to be paid to beneficiaries from "compensation and pension" appropriations during the fiscal year.

PROGRAM WORKLOADS

Mr. THOMAS. Of course, when you go to dealing in those tremendous sums, which ones of your programs are showing a decrease and which ones are on the increase?

Mr. HOWARD. The disability program—that is, disability pension and compensation—was showing a decrease up until a couple of months ago, but we have been getting in more claims from Korean veterans than we have from World War II veterans in the last 2 or 3 months; so that there has been some increase. And that same thing runs true with death pensions and compensation. We were at a leveling-off stage.

Mr. THOMAS. What about your big load of the GI training programs? They are falling off. What percentage of the present workload is incurred by the present Korean conflict?

Mr. HOWARD. At the present time, it is a very small percentage.
Mr. THOMAS. What about the loan-guaranty program?
Mr. KELSEY. The loan-guaranty program is expected to decrease.

LOAN-GUARANTY PROGRAM

Mr. THOMAS. We will insert pages 114 and 115 of the justifications in the record at this point.
(The matter above referred to is as follows:)

PROGRAM 6000: LOAN GUARANTY, $13,482,717

Administration of title III of the Servicemen's Readjustment Act of 1944, as amended, involves the determination of eligibility for benefits provided by the act and issuance of evidence of eligibility and loan guaranty or insurance; the establishment of minimum construction standards; the determination of reasonable property values; the payment of 4 percent of the amount guaranteed or insured up to a maximum payment of $160; the payment of claims made under the contract of guaranty or insurance in connection with defaulted loans; the management and disposition of real and personal property acquired resulting from loan defaults and claim payments; and the management of the portfolio of loans held by the Administrator as a result of the sale of acquired properties for terms of less than all cash and direct loans made pursuant to the provisions of Public Law 475, Eighty-first Congress. The discharge of these administrative responsibilities requires that provision be made for the cost of salaries, travel expenes, and payment for such contractual services as fee appraisals, fee property inspections, and credit reports.

In the following table the estimated employment, travel, and contractual-service requirements of the loan-guaranty program during fiscal years 1952 and 1953 are compared with fiscal year 1951 experience:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease (−), 1953 over 1952
AVERAGE EMPLOYMENT				
Departmental	147	159	174	+15
Field (excluding Manila)	2,975	2,801	2,767	−34
Manila regional office				
Total	3,122	2,960	2,941	−19
OBLIGATIONS				
01 Personal services:				
Departmental	$726,623	$861,467	$911,889	+$50,422
Field	11,553,773	11,960,335	11,852,711	−107,624
Total, 01	12,280,396	12,821,802	12,764,600	−57,202
02 Travel, employee:				
Departmental	26,299	40,000	82,080	+42,080
Field	278,318	300,000	395,626	+95,626
Total 02	304,617	340,000	477,706	+137,706
07 Other contractual services: Field	118,407	170,000	216,250	46,250
15 Taxes and assessments:				
Departmental	408	1,224	1,440	+216
Field	4,547	12,966	22,721	+9,755
Total, 15	4,955	14,190	24,161	+9,971
Total obligations	12,708,375	13,345,992	13,482,717	+136,725
Less quarters, subsistence, and lodging	−2,529	−2,500		+2,500
Net total obligations	12,705,846	13,343,492	13,482,717	+139,225

The above requirements were and are needed to process the following estimated major work volumes:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953
Applications for loan guaranty	581,674	383,850	393,450
Loan commitments	538,671	402,572	374,710
Direct loan applications	25,264	17,250	22,000
Direct loans approved	16,329	12,942	16,500
Direct loans disbursed	9,763	19,508	16,500
Defaults on loans owned by VA		400	1,000
Defaults reported on guaranteed or insured loans	72,110	69,650	71,402
Claims filed on guaranteed or insured loans	5,524	3,600	3,600
Loans and properties acquired	2,695	2,264	2,264
Paraplegic grants processed	1,009	1,000	1,000

WORKLOAD

Mr. KELSEY. The loan-guaranty program is expected to decrease slightly in 1953 over 1952 in some of its elements, particularly as to the number of applications for the various types of loans that we anticipate, although it is important to remember, of course, that whenever we add 100,000 loans onto our books we immediately add a potential additional workload in connection with claims, servicing of loans, property management, and other types of actions in a continuing loan-guaranty portfolio, if I may describe it as such.

APPLICATIONS FOR LOAN GUARANTY

Mr. THOMAS. You have here applications for loan guaranty in 1953 about 10,000 over 1952. In other words, it jumps from 383,850 in 1952 to about 393,450 in 1953. You base this on total starts of about 800,000 to 850,000 housing units of all types throughout the country, and a much better guess, according to my understanding from Mr. Charles E. Wilson, will be in the neighborhood of 600,000 to 650,000 total starts.

Mr. KELSEY. The question of total starts, of course, is important in arriving at this figure. On the other hand, a certain portion of this figure represents existing houses, and you will recall that the experts predicted for the 1951 calendar year there would be somewhere in the neighborhood of 850,000 housing units started, and actually it turned out to be almost exactly 1,100,000.

Mr. THOMAS. That is the exact figure.

Mr. KELSEY. Those are problems we have in trying to make estimates of this kind, but this is our best judgment as to the proportion of loans that will be guaranteed by the Veterans' Administration. We, of course, realize that volume is influenced by credit restrictions, availability of building materials, and other similar factors.

OUTSTANDING LIABILITIES ON VA LOANS

Mr. THOMAS. What is the outstanding liability of the Veterans' Administration now for your business loans and your home loans, and how much do you expect the increase will be in 1953 dollar-wise for those two classifications? Do you have that figure as of some recent date?

Mr. KELSEY. Yes. As of December 25, the gross amount of guaranties outstanding on home loans was $8,537,000,000; on farm loans, $108,247,000.

Mr. THOMAS. What about business loans?

Mr. KELSEY. Guaranties on business loans totaled $155,691,000.

Mr. THOMAS. A total of about $8,750,000,000?

Mr. KELSEY. $8,800,000,000.

Mr. THOMAS. The FHA has $18 billion; so that makes a total of $26 billion.

Mr. ANDREWS. As I recall, FHA told us the other day they had a total outstanding liability or possible liability of $18 billion, and now the VA has $8 billion. Is that $8 billion included in the $18 billion of FHA?

Mr. KELSEY. No, sir.

Mr. ANDREWS. That is over and above?

Mr. KELSEY. That is over and above; yes, sir.

Mr. THOMAS. It is in the neighborhood of $26.8 billion.

DEFAULTS ON GUARANTEED OR INSURED LOANS

Now, you have a table in here giving some information on defaults. Will you read that into the record at this point? What is the number of defaults in terms of units for 1951 and so far in 1953, and what does it look like for 1953; also, what was your dollar loss in 1951, your prospective loss in 1952, and your estimated loss in 1953?

Mr. KELSEY. As to defaults, there were 72,027 reported in 1951.

Mr. THOMAS. Out of how many loans?

Mr. KELSEY. That would be out of a total of about 2.7 million loans.

Mr. THOMAS. 72,000 defaults out of 2 million loans for 1951?

Mr. KELSEY. Of course, it is important to immediately relate that total of defaults reported to the number of defaults cured, which averages presently about 70 percent.

Mr. THOMAS. You set it out in two classifications here, defaults on loans and defaults reported.

Mr. KELSEY. May I suggest the inclusion of that table in the record?

Mr. THOMAS. It is already in the record.

What is the actual number in 1951, 1952, and 1953 and the dollar cost—not of those reported or not of those cured but of those you actually had to take back in 1951, 1952, and 1953? What is the dollar loss on each one of them?

Mr. KELSEY. Those are represented by the claims paid which in 1951 total 4,799.

Mr. THOMAS. Dollars or cases?

Mr. KELSEY. Cases.

Mr. THOMAS. What is the dollar value?

Mr. KELSEY. The dollar value was $7,490,833.

Mr. THOMAS. Out of 2 million homes for 1951 you had to take back approximately 5,000 houses, and it cost you roughly $7 million?

Mr. KELSEY. The claims were just less than 4,800. The figure I gave was 4,799. In 1952 the comparable figure was 2,813, with a dollar amount of $4,574,400. We estimate in 1953 the number of claims paid will be 2,825, with a dollar amount of $4,519,300.

Mr. THOMAS. How many houses will that give you in 1952 and 1953? In 1951 it was around 2 million.

Mr. KELSEY. It was well over 2 million in 1951, cumulative.

Mr. THOMAS. I thought you gave a figure of 2,003,000 in 1951.

Mr. KELSEY. The actual cumulative number of home loans approved for closing as of December 25 was over 2,875,000. The year before that it was somewhere in the neighborhood of 2,425,000.

Mr. THOMAS. Well, that is a remarkable record; is it not?

General GRAY. Yes; it is.

Mr. KELSEY. I think so.

Mr. THOMAS. In round figures, then, you will have in the neighborhood during fiscal year 1953, 3 million homes, and you will foreclose or take back in the neighborhood of 2,200, and the total cost will be less than $5 million?

General GRAY. Six-tenths of 1 percent is what it has been.

Mr. THOMAS. Are those figures roughly correct that I just gave?

Mr. PHILLIPS. And is that the final loss, or is there still a recovery item in that loss?

Mr. KELSEY. There is still a recovery amount in that figure I just gave you on claims paid. I will give you a figure which I believe will be of interest to you, from the beginning of the program. Of the initial amounts paid on claims, which are an accumulation of the figures we have just been discussing, there was a total of $28,712,632, of which $15,121,369 has been recovered to date, leaving a net amount of $13,591,263 which still is subject to some recovery.

DECREASE IN EMPLOYMENT

Mr. THOMAS. By virtue of the fact that these figures are going down constantly, did you revise downward drastically enough your employment figures there, namely, a decrease of 19? It is 2,960 for 1952 and 2,941 for 1953, or a decrease of 19. Now, the question is in view of your fine record here and your program going down, have you decreased your employment sufficiently when you only decreased it 19 for 1953 under fiscal 1952?

Mr. KELSEY. I believe that decrease is all we can stand and give anywhere near the kind of assistance and service we believe should be given in this program.

NUMBER OF LOANS

Mr. THOMAS. How many loans for housing did you make and how many business loans and how many farm loans did you make for 1951; how many do you anticipate for 1952; and how many do you anticipate for 1953?

Mr. KELSEY. On home loans the actual number in 1951 was 524,959; estimated for 1952, 384,219; and for 1953, 360,891.

Mr. THOMAS. Well, your employment figures have not dropped in proportion to that estimated decrease in starts.

VOCATIONAL REHABILITATION AND EDUCATION

Mr. THOMAS. Let us look at program 5,000, please, sir.

Mr. Reporter, at this point in the record, will you insert pages 102 and 103, and also pages 104 and 105.

(The matter referred to is as follows:)

PROGRAM 5000: VOCATIONAL REHABILITATION AND EDUCATION, $28,710,520

The funds requested for this program are to provide for the administrative costs required to provide essential services in connection with the rehabilitation of disabled veterans in training under Public Law 16, Seventy-eighth Congress, as amended, and in connection with the education and training of veterans pursuing courses under the provisions of Public Law 346, Seventy-eighth Congress, as amended.

The following table shows the obligations by object of expenditure for fiscal year 1951 and the estimated obligations for fiscal years 1952 and 1953:

	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953	Increase (+) or decrease (−), 1953 over 1952
Average employment:				
Departmental	271	237	216	−21
Field (excluding Manila)	9,772	5,928	4,263	−1,665
Manila regional office	73	55	47	−8
Total	10,116	6,220	4,526	−1,694
OBLIGATIONS				
01 Personal services:				
Departmental	$1,404,074	$1,370,505	$1,252,010	−$118,495
Field (excluding Manila)	42,411,268	28,407,047	20,892,419	−7,514,628
Manila regional office	179,910	137,777	130,100	−7,677
Total 01	43,995,252	29,915,329	22,274,529	−7,640,800
02 Travel, employee:				
Departmental	60,067	100,000	71,575	−28,425
Field (excluding Manila)	1,532,050	1,325,929	875,000	−450,929
Manila regional office	8,863	7,406	7,266	−140
Total 0210	1,600,980	1,433,335	953,841	−479,494
02 Total, beneficiaries:				
Field (excluding Manila)	387,310	327,279	400,000	+72,721
Manila regional office	665	500	400	−100
Total 0220	387,975	327,779	400,400	+72,621
03 Transportation of things (other): field (excluding Manila)	25,269	25,000	20,000	−5,000
07 Other contractual services:				
Departmental	30,705	30,000	30,000	
Field (excluding Manila)	7,941,121	5,354,098	2,611,000	−2,743,098
Total 07	7,971,826	5,384,098	2,641,000	−2,743,098
11 Grants, subsidies, and contributions: Field (excluding Manila)	3,010,428	3,013,862	2,400,000	−613,862
15 Taxes and assessments:				
Departmental	263	900	900	
Field (excluding Manila)	4,939	24,482	24,850	+368
Total 15	5,202	25,382	25,750	+368
Total obligations	56,996,932	40,124,785	28,715,520	−11,409,265
Less Q. S. and L.	−4,961	−5,000	−5,000	
Net total obligations	56,991,971	40,119,785	28,710,520	−11,409,265

The primary workload of the program consists of veterans in training in four major categories under two laws. The following table gives a 3-year comparison of the categories indicating the average number of veterans expected to be in training during the year (excludes Manila and other foreign trainees):

	Actual, fiscal year 1951	Estimated, fiscal year 1952 [1]	Estimated, fiscal year 1953 [1]
Public Law 16:			
Schools of higher learning	21,934	9,863	8,686
Schools below college level	17,551	7,100	4,100
Institutional on-farm	35,798	23,000	16,900
Job training	24,539	11,400	5,700
Total, Public Law 16	99,822	51,363	35,386
Public Law 346:			
Schools of higher learning	406,102	216,000	89,000
Residence schools below college level	510,434	433,000	168,000
Correspondence schools below college level	189,492	200,000	85,000
Institutional on-farm	284,955	236,000	120,000
Job training	150,126	82,000	22,000
Total, Public Law 346	1,541,109	1,167,000	484,000

[1] Includes Public Law 894 trainees.

Cases of counseling disposed of by Advisement and Guidance Sections in regional offices during fiscal year 1951 and estimated cases for disposal in fiscal years 1952 and 1953 are shown in the following table (includes cases disposed of, complete or incomplete, revaluations, and reconsiderations): [1]

Law and plan	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953
Public Law 16 [2]:			
By Veterans' Administration	53,780	41,700	50,640
Plan A (fee basis)	22,363	12,750	19,580
Plan B (fee basis and Veterans' Administration)	5,721	5,000	7,780
Total, Public Law 16	81,864	59,450	78,000
Public Law 346:			
By Veterans' Administration	28,895	10,770	6,400
Plan A (fee basis)	80,982	29,390	6,250
Plan B (fee basis and Veterans' Administration)	11,164	9,840	3,350
Total, Public Law 346	121,041	50,000	16,000

[1] Excludes Manila Regional Office.
[2] Includes Public Law 894.

PROGRAM COSTS

Mr. THOMAS. This program 5,000, "Vocational rehabilitation and education," dropped from $40,119,785 in 1952 to $28,710,520 for 1953, a decrease of $11,409,265.

The funds requested for this program are to provide for the administrative costs required to provide essential services in connection with the rehabilitation of disabled veterans in training under Public Law 16.

EMPLOYMENT

I notice that the number of departmental employees drops from 237 in 1952 to 216 in 1953. What is the number in the field?

Mr. COILE. That is just below on page 106, Mr. Chairman.

Mr. THOMAS. And the number in the field drops from 5,928 in 1952 to 4,263 in 1953, a reduction of 1,665, and the tables which have been inserted will show the other objects.

VETERANS IN TRAINING UNDER PUBLIC LAW 16

Now, under Public Law 16, the number of disabled veterans in schools of higher learning has dropped from 9,863 in 1952 to 8,686 in 1953. Now, below college level, the number drops from 7,100 in 1952 to 4,100 in 1953. In institutional and on-the-farm training the number drops from 23,000 in 1952 to 16,900 in 1953. In on-the-job training it drops from 11,400 to 5,700 in 1953.

VETERANS IN TRAINING UNDER PUBLIC LAW 346

Under Public Law 346, and that is the big one, the number in schools of higher learning drops from 216,000 in 1952 to 89,000 in 1953, and in residence schools below college level, correspondence schools below college level, institutional and on-farm, and on-the-job training there are also large reductions.

DECREASED WORKLOAD

Dollarwise your program drops off about 23 or 24 percent and in terms of workload the program drops off about 60 percent. So, now, give us some fast reasons, or think quick on your administrative costs and give us some reasons why they should not be reduced further in view of the workload decreasing.

Mr. COILE. The field personnel dropped proportionately with the workload, sir. It drops from 5,928 down to 4,263, and a large part of the personnel, you understand, a considerable part, is engaged in Public Law 16 work.

Mr. THOMAS. Yes.

Mr. COILE. And the drop-off in the workload under that program is not as fast as it is under 346.

Mr. THOMAS. Of course, that is the small part of your program.

Mr. COILE. Well, it is the part of the program that we have to devote most of the attention to in that we have greater responsibility in the rehabilitation of disabled veterans.

PERSONNEL ON PROGRAM

Mr. THOMAS. But it is still the small part of your program. What part of your total personnel is charged to Public Law 16?

Mr. COILE. Almost entirely the total personnel in education and training which in 1952 is 1,900 personnel, and in 1953 is estimated at 1,295. Also a large part of the personnel in advisement and guidance which in 1952 is 723 and the estimated number in 1953 is 679.

Mr. THOMAS. That does not relate to Public Law 16. That is part of your program generally. Do you have any specific breakdown between employment under 346 and 16?

Mr. COILE. No, sir; we do not have that. We have those two activities, that are largely engaged in administering the program under Public Law 16.

VETERANS' MISCELLANEOUS BENEFITS

Mr. THOMAS. What part of your veterans' miscellaneous benefits to the tune of $27,206,000 is chargeable to your program 5,000?

Mr. BAKER. About $16,253,000 of that is for Public Law 16 trainees.

Mr. THOMAS (reading):

The funds requested under this appropriation are to cover the cost of statutory burials, supplies, equipment, and tuition for Public Law 16, Public Law 894, and Public Law 170 trainees; and homes for paraplegics as authorized by part IX of Veterans' Administration Regulation No. 1 (a), as amended.

STATUTORY BURIAL ALLOWANCES

What about Public Law 346?

Mr. BAKER. 346 is not in this, sir.

Mr. THOMAS. Give us a breakdown of that.

Mr. BAKER. Under veterans' miscellaneous benefits?

Mr. THOMAS. Yes.

Mr. BAKER. $13,151,000 is for statutory burial allowances.

Mr. THOMAS. I read that breakdown some place.

Mr. BAKER. That is on page 273.

Mr. THOMAS. No; you give it by activities. Indian Wars, Civil War, Spanish-American War, World War I, and World War II, and so forth. All right, we will insert page 273 in the record at this point, Mr. Reporter.

(The matter referred to is as follows:)

Initial statutory burial allowances

Fiscal year	Indian wars	Civil War	Spanish-American War	World War I	World War II	Regular Establishment, Public Law 28 and others	Total	Obligations
1951, actual	92	9	5,665	49,646	27,024	389	82,825	$13,000,966
1952, estimated	83	4	5,500	50,000	27,200	420	83,207	13,063,000
1953	66	1	5,400	50,500	27,300	500	83,767	13,151,000

VOCATIONAL REHABILITATION FOR DISABLED VETERANS

Mr. THOMAS. Here is the significant part of your statement:

The forecast of the number of veterans in training estimates a 48.53 percent decline in fiscal year 1952 from fiscal year 1951 and a reduction of 31.33 percent in fiscal year 1953 under fiscal year 1952.

That is a whale of a drop from 1951 to 1953, is it not?

Mr. COILE. Yes, sir.

Mr. THOMAS. What was the total appropriation in 1951, and what was it in 1952?

Mr. COLE. The obligation for these items are shown on page 277, Mr. Chairman.

HOUSING GRANTS FOR DISABLED VETERANS

Mr. THOMAS (reading):

During fiscal year 1951, 685 grants were basically approved, and it is anticipated that there will be 600 and 327 approved in fiscal years 1952 and 1953, respectively. Using the same unit cost as was experienced during 1951 of $9,259, it is estimated that $5,555,400 and $3,026,085 will be required in fiscal years 1952 and 1953, respectively.

We will insert page 277 in the record at this point.

(The matter referred to is as follows:)

Purpose	Actual, fiscal year 1951	Estimated, fiscal year 1952	Estimated, fiscal year 1953
AVERAGE ANNUAL COSTS			
Tuition [1]	$490.79	$490.79	$490.79
Supplies	10.02	10.02	10.02
Equipment	37.34	37.34	37.34
Total	538.15	538.15	538.15
TOTAL COSTS			
Tuition [1]	36,972,702	19,631,600	14,576,460
Supplies	1,000,702	515,028	354,708
Equipment	3,728,877	1,919,256	1,321,836
Total	41,702,281	22,065,884	16,253,004

[1] Institutional trainees only.

HOUSING GRANTS FOR DISABLED VETERANS

During fiscal year 1951, 685 grants were basically approved, and it is anticipated there will be 600 and 327 approved in fiscal years 1952 and 1953, respectively. Using the same unit cost as was experienced during 1951 of $9,259, it is estimated that $5,555,400 and $3,026,085 will be required in fiscal years 1952 and 1953, respectively.

Mr. THOMAS. This page breaks it down to "Tuition, supplies, and equipment" for 1953, $16,253,000, against $22,065,884 for 1952, and in addition to that housing grants for disabled veterans, your paraplegics. This is under Public Law 16; is it not?

Mr. BAKER. The costs for tuition, supplies, and equipment are under Public Law 16. Housing grants for paraplegics are under Public Law 286, Eighty-first Congress.

Mr. THOMAS. That figure is $3,026,000 for 1953 against $5,555,000 for 1952. What are the other items going to make up that $27 million?

Mr. BAKER. $13,151,000 is for statutory burial allowances, shown on page 273, which you have inserted in the record.

Mr. THOMAS. Yes, but what other items?

Mr. BAKER. That is all, sir.

FLAGS

Mr. THOMAS. We ran across one item this morning, "Flags, $300,000." How many flags are you going to buy with $300,000?

Mr. ANDREWS. $306,000.

Mr. THOMAS. Is that cost $300,000 or $306,000 for flags?

General GRAY. The last flags I bought cost about $4.50 each.

Mr. WELLS. That amount is $306,000.

Mr. THOMAS. That is on what page?

Mr. WELLS. Page 73, sir.

General GRAY. I would estimate that would buy about 100,000 flags, Mr. Chairman.

Mr. THOMAS. The amount for flags is $306,000 for 1953 against $254,000 for 1952. You say it will buy about 100,000 flags.

General GRAY. That would be my best estimate.

Mr. THOMAS. What are you going to do with 100,000 flags?

General GRAY. There are enough Spanish-American War veterans pretty nearly to take a good many of those, of this total with the combinations of the old-timers passing out and the deaths that come from time to time.

Mr. THOMAS. Do you give one only in case of death, or do they write in and do you send them one just for the writing, or what is the practice about flags?

General GRAY. The practice about flags is that there is one placed over the casket of every veteran.

Mr. THOMAS. What else?

General GRAY. Those are the only ones I know of.

Mr. THOMAS. Do you expect that there will be 100,000 deaths this year?

General GRAY. Out of 19,000,000, I do not think that is too high.

Mr. THOMAS. What is the average cost of a flag?

General GRAY. The last one that I bought was a 3-by-5 size; and, as I remember, it cost $4.50.

Mr. THOMAS. What is your unexpended balance up to December 31, 1952, for this item "Flags, $254,000" for the current year?

Mr. BAKER. Mr. Chairman, we have an unobligated balance of approximately $100,000 in this item as of December 31st.

MEDICINE INVENTORY

Mr. THOMAS. I see I forgot to ask one question this morning on your medicine bill for your hospitals, domiciliary homes, and your outpatient clinics, where your total medicine bill is about $27 million a year. What is the dollar value of your inventory as of some recent date?

Admiral BOONE. Colonel Dryden will have to give that. Can you tell us the inventory on drugs as of such-and-such a date, Colonel Dryden?

Mr. DRYDEN. That is, in all depots, Mr. Chairman?

Mr. THOMAS. Whether they are in the depots or your various hospitals or clinics or what not, do you have a composite figure there, or is it broken down by depots and other installations?

Mr. DRYDEN. It is just one figure for the over-all stock in our depots. It is not broken by medical and other.

Mr. THOMAS. You do not have your medical supplies in the depots?

Mr. DRYDEN. Oh, yes.

Mr. THOMAS. What is the approximate figure of your inventory in your depots?

Mr. DRYDEN. About $19 million in operating stock as of June 30, 1951.

Mr. THOMAS. That is for medicine alone?

Mr. DRYDEN. No, that is over all.

Mr. THOMAS. Can you estimate what part of that is for medicine?

Mr. DRYDEN. About 80 percent of that is medicine.

Mr. THOMAS. About 80 percent of it is medicine?

Mr. DRYDEN. Yes, sir.

Mr. THOMAS. That is in your five or six depots. What is your inventory in your hosiptals and your domiciliary homes and in your out-patient clinics?

Mr. MOORE. Off the record.

(Discussion off the record.)

Mr. THOMAS. Does anybody have a reasonable idea?

Mr. DRYDEN. Yes, sir.

Mr. THOMAS. In other words, your depot stocks are now about $17 million?

Mr. DRYDEN. The stores account at our hospitals was $20 million, hospitals and homes, as of June 30, 1951.

Mr. THOMAS. About a $37 million inventory, then, for medicine?

Mr. DRYDEN. That is right.

VETERANS' MISCELLANEOUS BENEFITS

Mr. THOMAS. Mr. Budget Officer, what other items are there besides flags, tuition, supplies, and equipment and grants for paraplegics? Is there any other item going to make up that $27 million?

Mr. BAKER. Statutory burials, Public Law 16, supplies and equipment, and housing for paraplegics. That comprises the entire miscellaneous-benefits appropriation.

Mr. THOMAS. What was that figure for 1952? You have it broken down on the table on page 277 as to tuition, supplies, and equipment, and for paraplegics, but not for the other items.

Mr. BAKER. The burial allowance for 1952 was $13,063,000, against $13,151,000 for 1953.

Mr. THOMAS. What was the total appropriation for 1952 for all of the items?

Mr. BAKER. We estimate that the obligations for the entire year will be $40,282,000 for all the items.

Mr. THOMAS. What was the amount of your obligations up to December 31, 1951?

Mr. BAKER. $15,885,208 through December.

Mr. THOMAS. What was the amount appropriated last year for all items?

Mr. WELLS. $21,060,000, but we had a carry-over of funds from the previous year of $24,800,000.

Mr. THOMAS. Of that $21,000,000, plus $24,000,000 or $45,000,000, you have spent $15,000,000, so it looks like you will have a carry-over of $15,000,000 more this year.

Mr. WELLS. We anticipate $5 million. We anticipate obligations during 1952 in the amount of $40.6 million.

Mr. THOMAS. The first six months of the year you obligated $15 million, so it looks like you will have a carry-over of $15 million in this item this year, does it not?

Where is the construction program? I cannot put my finger on it.

Mr. WELLS. That is on page 297, Mr. Chairman.

Mr. THOMAS. Mr. Reporter, at this point in the record will you insert pages 297 and 298?

(The matter referred to is as follows:)

HOSPITAL AND DOMICILIARY FACILITIES, $153,600,000

This appropriation provides for the construction of new facilities including acquisition of sites, alterations, remodeling, major structural improvements, fixed equipment and portable initial equipment for Veterans' Administration hospital and dominiliary facilities, subject to approval of the President.

The change in text of this appropriation provides $153,600,000 cash appropriation of which $59,000,000 is to liquidate prior year obligations and $94,600,000 is to cover estimated obligations in fiscal year 1953 and subsequent years; increases the cumulative limitation on the amount that can be obligated for portable initial equipment from the $31,455,440 which was provided for hospital projects scheduled for completion by the end of calendar year 1952 to $33,349,581 which provides $1,894,141 for hospital projects scheduled for completion in calendar year 1953. The extension of contract authority, included in prior appropriations, is not requested.

Authorized programs

Estimated cost.—Authorized programs, exclusive of projects canceled by the President, are now estimated to cost $910,634,006, based on contract awards for those projects under contract and on estimated costs for projects not yet under contract.

New programs

Authorization is requested for a new program amounting to $15,000,000 for fiscal year 1953 to cover construction projects costing over $250,000, involving the initial phase of major programs of rehabilitation and modernization of existing old hospitals. Projects costing less than $250,000 are included in a new appropriation entitled "Major Alterations, Improvements and Repairs." It is also necessary to request authorization of $1,894,141 to provide portable initial equipment for authorized construction programs scheduled for completion in calendar year 1953.

Cash appropriation

Additional funds in the amount of $153,600,000 will be required to meet estimated expenditures to liquidate prior years' obligations during fiscal year 1953 and to provide obligational authority for obligations to be incurred in fiscal year 1953 and subsequent years. There follows a statement of funds required.

Unexpended balance in hospital and domiciliary facilities appropriation, June 30, 1951		$200,020,997
Fiscal year 1952 appropriation (Public Law 137, 82d Cong.)		27,505,080
Total available for 1952		227,526,077
Veterans' Administration	$196,977,416	
Corps of Engineers	30,548,661	
Less estimated expenditures for fiscal year 1952:		
By Veterans' Administration	128,241,411	
By Corps of Engineers	80,864,942	
		—209,106,353
Estimated unexpended balance, June 30, 1952		18,419,724

Less estimated expenditures for fiscal year 1953, to apply to prior years' obligations	—$77,419,724
Net requirement of cash to liquidate prior years' obligations	59,000,000
Estimated cash requirement to liquidate fiscal year 1953 and subsequent years' obligations	94,600,000
Total appropriation requirement, fiscal year 1953	153,600,000

Status of contract authorizations

The appropriation of $153,600,000, requested for fiscal year 1953, which includes $59,000,000 for liquidation of prior years' obligations, will bring about a corresponding reduction in unfunded authorizations as follows:

Contract authorizations:	
Authorized by Public Law 419, 79th Cong	$441,250,000
Authorized by Public Law 269, 80th Cong	338,250,000
Authorized by Public Law 862, 80th Cong	43,000,000
Total contract authorizations	822,500,000
Appropriations of cash to liquidate contract authorizations:	
Public Law 862, 80th Cong	—202,000,000
Public Law 759, 81st Cong	—160,000,000
Public Law 137, 82d Cong	—27,505,080
Unfunded contract authorizations as of June 30, 1952	432,994,920
Determination of amount of contract authority lapsing, due to expiration on June 30, 1952:	
Unfunded contract authority as of June 30, 1952	432,994,920
Less:	
Obligations incurred prior to fiscal year 1952	—35,819,006
Estimated obligations to be incurred against contract authority in fiscal year 1952	—44,366,658
Unobligated balance, contract authority as of June 30, 1952	352,809,256

Mr. THOMAS. Now, you want $153,600,000, and $59,000,000 with which to liquidate prior-year contract authorizations; is that correct?

Mr. BAKER. Yes, sir; that is correct, Mr. Chairman.

Mr. THOMAS. Leaving a balance of $94,600,000 to cover estimated obligations for 1953 and future years. In addition, you want to kick up your cumulative equipment item for new hospitals from $25,000,000 to $31,000,000 to $33,000,000. Of course, on paper it looks like it is an increase of $1,894,141, but it seems to me that actually, under last year's limitation, it is an increase of about $8,000,000. However, we will go into that in just a minute.

What will this $59 million pay off, General?

General GRAY. Colonel Dryden will answer in reply to that.

Mr. DRYDEN. That is to pay the obligations that we have entered into in prior years.

Mr. THOMAS. Let us get some fundamental facts in the record now. We have inserted these pages, but let us detail it chronologically here.

CONTRACT AUTHORIZATIONS

Up to date Congress has authorized $822,500,000 for the program: is that right, Colonel Dryden?

Mr. DRYDEN. That is right, sir.

APPROPRIATIONS TO LIQUIDATE CONTRACT AUTHORIZATIONS

Mr. THOMAS. The appropriations to date have totaled $432,994,920; is that correct?

Mr. BAKER. That is unfunded.

Mr. DRYDEN. Yes; that is the amount of unfunded contract authorizations as of June 30, 1952.

Mr. THOMAS. According to your table it is appropriations of cash to liquidate contract authorizations, $432,994,920.

Mr. BAKER. The sum of the three figures is $389,505,080, which is the amount actually appropriated against total contract authority of $822,500,000.

UNFUNDED CONTRACT AUTHORIZATIONS

Mr. THOMAS. Leaving a balance of what?

Mr. BAKER. $432,994,920 which has not been funded.

CASH REQUIREMENT TO LIQUIDATE OBLIGATIONS

Mr. THOMAS. How much cash will you need for 1953 to pay that part of your unliquidated obligation for construction? The construction will be completed in 1953. You are not going to need all of this $94,600,000, are you?

Mr. DRYDEN. There is some carry-over, sir; work that will not be completed in 1953. The obligations for 1953 are $89,683,482.

BEDS AND HOSPITALS TO BE BUILT

Mr. THOMAS. How many beds were you supposed to build out of this $822,500,000; how many hospitals and how many beds? Was it 75 hospitals?

Mr. DRYDEN. It was 99 hospitals originally and is 75 now.

Mr. THOMAS. And how many beds?

Mr. DRYDEN. About 50,000 beds originally.

Mr. THOMAS. No.

Mr. DRYDEN. 53,000.

Mr. THOMAS. You mean that $822,500,000 is going to construct 50,000 beds?

Mr. DRYDEN. That is right.

Mr. THOMAS. In how many hospitals; 75?

Mr. DRYDEN. About 37,000 beds in the 75 projects. There were about 50,000 beds in the original 99 projects.

Mr. THOMAS. That is excluding the 18 or 20 that the President struck from the program?

General GRAY. There were 24 of them eliminated entirely, and 16 of them reduced in size, Mr. Chairman.

Mr. THOMAS. There were 24 of them eliminated?

General GRAY. Yes.

Mr. THOMAS. Were they included in the 75?

General GRAY. No. Mr. Chairman, 4 years ago I set up the number.

Mr. THOMAS. There were around 96 hospitals at that time.

General GRAY. 99 including major bed additions.

Mr. THOMAS. 99?

General GRAY. Yes.

Mr. THOMAS. Now, the number has been reduced to 75, and 24 of them were strickent?

General GRAY. That is correct. These figures given again last year reduced the contractual authority incident to those eliminations.

Mr. THOMAS. How many have been completed of the 75?

General GRAY. I dedicated the thirty-fourth and put it in service a week ago Sunday. Eight major bed additions have also been completed.

Mr. THOMAS. How many are being built and are uncompleted?

Mr. DRYDEN. There are now 10 hospitals scheduled to be completed this year, (6 of these have already been dedicated, leaving 4 for the balance of the year) and 20 in 1953. That leaves five new hospitals to be completed subsequent to 1953.

Mr. THOMAS. You have dedicated 34. How many are actually being built now, Colonel Dryden, regardless of when they will be completed; that is, over and above the 34 that you have already dedicated?

Mr. ANDREWS. That is, under construction.

Mr. THOMAS. Yes; that is right, under construction.

Mr. DRYDEN. Twenty-seven, sir.

(The following table inserted later to show status:)

Status of new hospital and major bed-addition projects

Description	Number of projects		
	Total	New hospitals	Bed additions
Total (current programs)	75	63	12
Dedicated or completed (Feb. 11, 1952)	42	[1] 34	[2] 8
Under construction and scheduled for completion or opening during balance of fiscal year 1952	[3] 5	4	1
Under construction and scheduled for completion or opening during fiscal year 1953	[3] 22	20	2
Scheduled for completion subsequent to fiscal year 1953 (not under construction)	6	5	1

[1] Dedicated.
[2] Completion refers to main general construction contract only.
[3] Breakdown of the 27 projects under construction by type is as follows: 20 general medical and surgical; 1 tuberculosis; 6 neuropsychiatric.

Mr. THOMAS. Twenty-seven in addition to your 34 which are completed?

Mr. DRYDEN. That is right.

Mr. THOMAS. So you have five remaining hospitals to be constructed?

Mr. DRYDEN. That is right.

Mr. THOMAS. Do you intend to start those any time soon?

Mr. DRYDEN. Yes, sir; the bids are being opened tomorrow on the Dallas 500-bed unit. The 1,000-bed neuropsychiatric hospital at Los Angeles will be advertised this spring. The San Francisco 1,000-bed neuropsychiatric hospital is under way, the grading contract having been awarded, and we plan to advertise for bids on the general construction contract late this summer.

TYPES OF HOSPITALS

Mr. THOMAS. Of the five remaining, how many of them are to be neuropsychiatric hospitals and how many to be tuberculosis hospitals?

Mr. DRYDEN. How many?

Mr. THOMAS. Yes, sir.

Mr. DRYDEN. One hospital at Cleveland is a neuropsychiatric hospital; the hospital at Los Angeles will be a neuropsychiatric hospital; and the hospital at San Francisco is a neuropsychiatric hospital.

Mr. THOMAS. What about these 27 that are now under construction—how do they break down; how many will be general medical and surgical hospitals; how many will be neuropsychiatric hospitals; and how many will be tuberculosis hospitals?

Mr. DRYDEN. The major portion of those are general medical and surgical hospitals.

Mr. THOMAS. You say most of them are general medical and surgical hospitals?

Mr. DRYDEN. Yes, sir.

Mr. THOMAS. Out of the 27, how many general medical hospitals are there?

Mr. DRYDEN. Out of the 27?

Mr. THOMAS. Yes.

Mr. DRYDEN. There are 20 general medical and surgical hospitals.

CONVERTING HOSPITALS TO THE TYPE OF HOSPITAL NEEDED

Mr. THOMAS. Should you not give some consideration, General Gray and Admiral Boone, to converting those hospitals to the type of hospitals you need—namely, tuberculosis and neuropsychiatric hospitals—when you have a ratio between occupancy of beds in existence in the neighborhood of 20 percent vacancies? Now you are going to add to it.

General GRAY. No, Mr. Chairman; we are not, and the reason we are not is by virtue of the designation of these as general medical and surgical hospitals through an inadvertence, and they are classified as that still, but in reality they are neuropsychiatric, tuberculosis, and general medical and surgical hospitals. There are one or two wards devoted to tuberculosis and neuropsychiatry in each of those big hospitals. So we are trying, as I indicated in my original statement to you, to change these beds to meet our medical load.

Now, a constant change is being made to the basis of the medical load, and it is that kind of thing which is unfortunately misleading to people who do not know those facts, and that is the reason I am delighted to explain to you that in each of these hospitals we now have general, medical and surgical wards, tuberculosis wards, and neuropsychiatric wards.

Mr. THOMAS. Yes, but what is the proportion in these big hospitals between general medical and surgical, tuberculosis, and neuropsychiatric cases? Your tables show that your breakdown is just about 50-percent neuropsychiatric cases, the next being, I expect, your general medical and surgical cases, and still further down the line comes your

tuberculosis cases and your diversified cases. Here you are increasing the proportion faster of general medical and surgical hospital facilities, and your biggest load factor is, perhaps, your neuropsychiatric load.

General GRAY. Under our own figures the number of general medical and surgical cases is around 42 percent of our patient load. The number of neuropsychiatric cases is about 50 percent of our patient load. I am disregarding here, again, service-connected and non-service-connected disability.

Mr. THOMAS. Yes.

General GRAY. And the balance of it is tuberculosis cases, and other chronic ailments. On that basis while originally to be designed of these hospitals was in many cases for general medical and surgical hospitals on the orders the Veterans' Administration is receiving we have constantly changed our hospitals to cover that situation.

Mr. THOMAS. What about these 23 hospitals that are under construction and designated general medical and surgical?

General GRAY. We will be glad to give you the figures on the number of beds devoted to general medical and surgical cases, neuropsychiatric cases, tuberculosis cases, and so forth.

Mr. THOMAS. Are you making the figures run in the true proportion that the cases are coming in?

General GRAY. Yes, we are.

Mr. THOMAS. Namely, about 50 percent neuropsychiatric cases?

General GRAY. No, it is not quite 50 percent. As to the neuropsychiatric cases we are building three or four of those hospitals, and in each of the big hospitals we are putting in one or two wards for that purpose.

Mr. THOMAS. How many beds out of 500?

Mr. DRYDEN. There are about 150 beds out of 500 that are for neuropsychiatric cases, and 40 to 50 for tuberculosis cases.

Mr. THOMAS. You have about 200 beds out of 500 devoted to those purposes, when your normal proportion is every year about 3 to 1. You have it reversed, where it is 3 to 1 the other way.

General GRAY. Mr. Chairman, there are other reasons for not doing that. One of the reasons is that you cannot get psychiatrists to take care of the men so we are trying to deal with the situation factually.

Mr. THOMAS. But the fact still remains that you are building too many general medical beds.

General GRAY. We are building beds today and changing as fast as we can staff the hospitals. We will change over by the inclusion of security measures for neuropsychiatric patients as fast as we can, and collect a staff and work out our problems incident thereto.

Mr. THOMAS. General, are your 20 hospitals too far along to change your plan? It is obvious that you are building too many general medical and surgical beds in proportion to your actual needs for tuberculosis and neuropsychiatric cases. You are building 3 to 1 for general medical and surgical cases when your normal ratio is 3 to 1 of neuropsychiatric and tuberculosis cases. It is just in the reverse direction.

General GRAY. As indicated to you you cannot change over and staff the hospitals overnight.

REVIEW PROGRAM EACH YEAR

Mr. THOMAS. General, do you not think it is wise to withhold this $94,600,000 and let your experts talk together and look it over? That $59 million is an incurred obligation, and I guess it will have to be paid, but do you not think you ought to call a halt on it and review that program every year when you are getting away out of any proportion to your needs? It looks like to me that you are getting away out of proportion on your general medical beds.

MODERNIZATION OF EXISTING HOSPITALS

Mr. DRYDEN. The major number of those included are neuropsychiatric hospitals in that fund, and also included in that amount is an amount for modernization of our hospitals, and some of that modernization is to convert over from general medical and surgical to tuberculosis and neuropsychiatric hospitals.

Mr. THOMAS. Is that your $15 million item?

Mr. DRYDEN. Yes.

Mr. THOMAS. Where is it in here?

Mr. DRYDEN. The $15 million?

Mr. THOMAS. Yes, is that part of your 096 million?

Mr. DRYDEN. Yes, sir, that is right. It is a part of the hospital and domiciliary facilities appropriation.

General GRAY. As I think I illustrated this morning in connection with Indianapolis, we are taking the existing general medical and surgical hospital there and making that into a complete tuberculosis hospital.

Mr. THOMAS. Let me interrupt you and read this language which is given here on page 297. Under your new programs—

> Authorization is requested for a new program amounting to $15,000,000 for fiscal year 1953 to cover construction projects costing over $250,000, involving the initial phase of major programs of rehabilitation and modernization of existing old hospitals.

Now, going on from there you carry on. How many major hospitals, and where are they located that you are going to modernize for this $15,000,000? Is this only an early installment of the total cost, and if so, how much is the total cost?

General GRAY. There are two things, Mr. Chairman, that we are trying to establish, based on our experience in maintaining and operating facilities. One of them is that we want to try to get out bed capacity in accordance with our medical load. That has not been undertaken, apparently, as I can review history, until the last 3 or 4 years.

We have a total of how many square feet, Colonel?

Mr. DRYDEN. 80 million square feet.

General GRAY. We have a total of 80 million square feet in buildings, and some of them are buildings, in fact, a great many of them, or quite a number of them were built back in the sixties, seventies, eighties, nineties, and so forth, and 24 percent of that entire square foot area is obsolete, as being over 50 years of age or of temporary construction. As a result, as long as we are directed to care for this

program as outlined with these figures we give you, it is our humble opinion that we should maintain and replace these old facilities on a square foot basis per annum.

Mr. THOMAS. Is that going to increase that ration between the actual number of beds and the number unoccupied beyond 20 percent?

General GRAY. That is not going to change the bed capacity materially. We are building to get 174 hospitals containig 131,030 beds.

LOCATION OF HOSPITALS TO BE MODERNIZED

Mr. THOMAS. Give us a little break-down of your $15,000,000. If it is about $250,000 each, that is going to be about 60 hospitals. Tell us where they are located, how much you are going to spend on each one, and what will be the total cost of the project?

Mr. DRYDEN. There are only 12 projects in this group included in this $15,000,000.

AMERICAN LAKE

There is a project at American Lake, which is the construction of a new building to care for tuberculosis-neuropsychiatric patients. The estimated cost of this project is $2,616,000.

Mr. THOMAS. How many beds are there already in existence?

Mr. DRYDEN. There are no tuberculosis-neuropsychiatric beds at American Lake. That is a tuberculosis-neuropsychiatric hospital, and it is part of a program at 13 centers that the Veterans' Administration is establishing for the care and treatment of neuropsychiatric patients with coexisting tuberculosis which must be isolated.

Mr. THOMAS. Is this going to be a conversion of bed space which is already there?

Mr. DRYDEN. In this particular case it is constructing a new 160-bed building at American Lake.

AUGUSTA, GA.

The second item is a similar item for Augusta, Ga. At that plant there we have the same situation, and the cost is the same, $2,616,000.

Mr. THOMAS. For tuberculosis cases?

Mr. DRYDEN. For tuberculosis-neuropsychiatric cases.

Mr. THOMAS. All right; go ahead.

COATESVILLE, PA.

Mr. DRYDEN. The third item is converting an existing building at Coatesville, Pa., to a tuberculosis-neuropsychiatric building.

Mr. THOMAS. What will that cost?

Mr. DRYDEN. $572,000.

Mr. THOMAS. How many beds will you have when you build it?

Mr. DRYDEN. That will develop 110 beds.

Mr. THOMAS. That is, in addition to the bed capacity which is there now, or is it a change-over?

Mr. DRYDEN. No, it is a change-over.

Mr. THOMAS. All right, sir; go ahead.

GULFPORT, MISS.

Mr. DRYDEN. The fourth item is at Gulfport, Miss., an addition to the laundry and replacement of the power plant. The combined cost of those projects is $514,000.

Mr. THOMAS. How old is that facility there?

Mr. DRYDEN. The boiler plant was built in 1923. The laundry was built in 1928 for a plant with 425 beds. We are now operating 940 beds there, and in addition we are doing the laundry work from Biloxi, which has 200 general medical and surgical beds and 790 domiciliary beds.

Mr. THOMAS. All right; go ahead.

JEFFERSON BARRACKS, MO.

Mr. DRYDEN. The next item is at Jefferson Barracks, Mo., $965,000. At Jefferson Barracks we are building in new construction a 545 neuropsychiatric bed addition. The present hospital is an old hospital, and was originally a general medical hospital. This money is part of a program to convert the general medical portion of that hospital to neurophychiatric so as to enlarge our neuropsychiatric capacity.

LEBANON, PA.

At Lebanon, Pa., there is an item of $2,929,000. That is something of the same situation. We built by new construction a 564 bed addition to an existing neuropsychiatric hospital and now we are operating 1,072 beds there, but we have not constructed an infirm building, and we have not constructed a medical rehabilitation building nor a chapel, nor a theater, nor a recreation building, nor connecting corridors.

Mr. THOMAS. How old is that hospital?

Mr. DRYDEN. That was built in 1947, Mr. Chairman.

Mr. THOMAS. Is it a regular VA hospital?

Mr. DRYDEN. Yes.

Mr. THOMAS. Or is it one you took from the armed services?

Mr. DRYDEN. No, it was not an armed services hospital.

Mr. THOMAS. You can put that in later. Go ahead with your program, Colonel.

MINNEAPOLIS, MINN.

Mr. DRYDEN. At Minneapolis, Minn., there is an item of $744,000. We are building an addition of 350 beds in new construction there, and this item is for the conversion of a portion of the old structure, to fit in with the amended medical program at that location. We are altering the existing buildings, so as to get a balanced hospital including tuberculosis and neuropsychiatric beds at that location.

ADDITIONAL NEUROPSYCHIATRIC AND/OR TUBERCULOSIS BEDS

Mr. THOMAS. This $15 million is, really, in the final analysis, to convert some existing beds, with the exception of one or two cases there, into neuropsychiatric and tuberculosis beds.

Now, how many beds are you going to get out of this $15 million?

Mr. DRYDEN. There will be no over-all increase in beds.

Mr. THOMAS. How many conversions will you get out of it? It gives you additional bed capacity to the tune of how much for neuropsychiatric and tuberculosis patients?

Mr. DRYDEN. I have that here, Mr. Chairman. It will develop between 900 and 1,000 neuropsychiatric and/or tuberculosis beds.

Mr. THOMAS. Between 900 and 1,000 neuropsychiatric and tuberculosis beds?

Mr. DRYDEN. Yes, sir.

Mr. THOMAS. And that is over and above your regular program in your 75 hospitals with 37,000 beds?

Mr. DRYDEN. That is right.

PERSONNEL STAFF DUE TO MODERNIZATION

Mr. COTTON. When you replace facilities which you describe as obsolete by more modern and proper facilities, does that require an increase in the staff to handle them?

General GRAY. No, sir. Off the record.

(Discussion off the record.)

MODERNIZATION OR REPLACEMENT PROGRAM RATHER EXTENSIVE

Mr. THOMAS. How much additional space do you have to build now after you finish these 12 or 13 installations?

General GRAY. Oh, we have a modernization or replacement program that is rather extensive.

Mr. THOMAS. What do you mean by rather extensive?

General GRAY. We will give you the full figures on that. I believe those figures are on that chart.

Mr. DRYDEN. I have a copy of the chart here.

Mr. THOMAS. In other words, this $15 million is just the beginning?

Mr. DRYDEN. That is right, sir.

Mr. ANDREWS. Off the record.

(Discussion off the record.)

Mr. DRYDEN. To restate the words that the Administrator used a while ago, in temporary construction, I mean, temporary either World War I or World War II and of not even semipermanent construction, we have 3,700 buildings, or 11,000,000 square feet of space, that is, in addition to the hospitals we are closing as a result of this 75-hospital program. The cost of replacing that space today, we figure, would be $277 million. In addition to that we have this group that was built prior to 1900, and going clear back to 1867, of which there are 273 buildings, and 2,060,000 square feet, and the replacement cost would be $65 million.

In addition to that we add to those properties built prior to 1920, which cover 4,000,000 square feet and 340 buildings with accrued obsolescence of $99 million. That is the whole picture. The replacement cost of the plant that we have now would be in the neighborhood of $2 billion, but the accrued obsolescence portion of that amounts to about $800 million.

MAJOR ALTERATIONS, IMPROVEMENTS, AND REPAIRS

Mr. THOMAS. What is this $4 million program of major alterations, improvements, and repairs, to cost under $250,000 per installation?

Mr. DRYDEN. That is a group which was formerly handled under the nonbed program. They are miscellaneous projects including improvements to medical facilities, boiler plants, water-supply systems, elevators, and so forth.

Mr. THOMAS. Does not this come under your other objects, 07 and 08 program, repair, and maintenance?

Mr. DRYDEN. No. That is running repairs, but not for major improvements. It is just keeping the present plant going where you are only replacing in kind what you have, such as painting, servicing, and so forth.

General GRAY. Mr. Chairman, off the record, please, sir.

(Discussion off the record.)

Mr. THOMAS. On which page is this?

Mr. DRYDEN. On page 301.

PORTABLE EQUIPMENT LIMITATION

Mr. THOMAS. Here it is. On your portable equipment you want to raise the limitation from $25 million in 1952 to $33 million in 1953. That is what it amounts to, is it not? You raised that last year to $31,455,000. Was there not a limitation of $25 million in there?

Mr. DRYDEN. No, sir.

Mr. BAKER. That was 2 years ago, I believe, Mr. Chairman.

Mr. THOMAS. I thought I remember seeing the figure $25 million bracketed out last year. Yes [reading:]

Provided further, That amounts available under this head for portable initial equipment are increased from [$25,000,000 to] *$31,455,440.*

You had $25 million bracketed out of the 1952 bill, and it was increased from $25 million in 1951 to $31 million in 1952.

Mr. DRYDEN. That is right.

Mr. THOMAS. And now you want to increase it from $31,445,440 to $33,349,581, or an increase of $1,894,000?

Mr. DRYDEN. That is right.

PORTABLE EQUIPMENT INVENTORY

Mr. THOMAS. What is your present inventory of that new portable equipment?

Mr. DRYDEN. That is being shipped out as we open new hospitals. The inventory is $4.9 million as of June 30, 1951.

Mr. THOMAS. Will not that hold you for a while, Colonel?

Mr. DRYDEN. No, sir. That is part of the equipment for the hospitals that are to be opened up, these 10 hospitals to be opened up this year, and the 20 hospitals that are to be opened up in 1953. There are no reserves in that program.

Mr. THOMAS. Going back to your program 5000, what are you allowing for those tools? I noticed in the papers that they are talking about some of the schools charging too much for tools, and some of the students are doing a little fudging about cost there. You have it set out here on a table.

Mr. COILE. Yes, sir.

Mr. THOMAS. On what page is that?

Mr. WELL. It is on page 261, I believe, Mr. Chairman. It is in the readjustment benefits appropriation.

Mr. THOMAS. That is right, 261.

Mr. COILE. I do not know whether the unit cost is in there or not, Mr. Chairman.

Mr. THOMAS. No; it is not in there. How much is that unit cost and what are you doing to hold that cost down? I understand that one of the investigative committees of the House has turned up a lot of sorry looking things there. I see in the administrative staff you have 54 investigators. What did those 54 investigators turn up? You had to have a committee of the House turn up this sorry mess.

General GRAY. Yes; but may I offer the suggestion, that if you will look at the record which you are apparently now asking for, we have been very active in that from the beginning, and, likewise, it is my understanding, although I have not seen the written word, that Mr. Teague has given our Division of Investigation great credit for the amount of difficulties that we have encountered and the effective measures we have taken.

Mr. THOMAS. Can you figure out what those tools cost per student?

Mr. COILE. Yes, sir.

The annual cost for supplies and materials under Public Law 346 in the fiscal year 1951 was $7.23. We estimate the same annual cost in 1952 and 1953.

Mr. THOMAS. Is that at the collegiate level or below the collegiate level?

Mr. COILE. That is for the entire group.

Mr. THOMAS. What about below the collegiate level where you are buying your tools?

Mr. COILE. We do not have the statistics on them, and I am not sure that we maintain them broken down between the collegiate level and below the collegiate level. This in inclusive of all types of training.

Mr. THOMAS. You have given us a hog round figure, where a fellow pays $6 or $7 for a tool and finally charges a school $14 for it. You are just giving the average general cost.

Mr. COILE. Yes; the average general cost. In addition, we have costs on equipment and tools. The unit cost for fiscal year 1951 was $29.38, and our estimates for 1952 and 1953 are the same.

Mr. THOMAS. Now, what part of that is tools?

Mr. COILE. Mr. Chairman, this is tools, books, and nonexpendable supplies on an average basis. It is not broken down in our statistics.

CAPITAL-EXPANSION PROGRAM

Mr. THOMAS. What do you have here in your capital-expansion program? You have $117,000 for 1953 against $121,000 for 1952. Your justifications say:

This program covers alterations and improvements including equipment necessary to provide medical facilities at regional offices and VA offices for treatment of veterans outside of VA hospitals.

Mr. DRYDEN. That, sir, is for about 20 projects, fixing up out-patient clinics in our regional office buildings.

Mr. THOMAS. This is not included in your $4 million program?

Mr. DRYDEN. No, sir. The $4 million is for hospitals and domiciliary homes. This is regional office clinics and supply depots.

Mr. THOMAS. It all adds up that under under "Repair and maintenance" you have three or four different programs; does it not?

Mr. DRYDEN. No; this is really not repair or maintenance; this is the relocation of the central dental clinic at Cleveland, the expansion of the medical clinic at Detroit, and the dental laboratory and the improvement in the mental hygiene clinic at Jacksonville, and so forth.

GRANTS TO THE REPUBLIC OF THE PHILIPPINES

Mr. THOMAS. What is your program to the Philippines costing you this year?

We will insert page 296 of the justifications in the record at this point.

(The matter above referred to is as follows:)

JUSTIFICATION OF ESTIMATES, FISCAL YEAR 1953

Grants to the Republic of the Philippines, Veterans' Administration, $1,861,500

The funds requested under this title are for payment of grants-in-aid to the Republic of the Philippines for expenses incident to the medical care and treatment of certain Philippine veterans in accordance with section 4 of Public Law 865, Eightieth Congress.

Current requests for hospitalization make it appear that an average daily patient load of 400 will be experienced during fiscal year 1952 and it is estimated that an average daily patient load of 600 will be experienced during fiscal year 1953.

On the basis of experienced costs which are constantly rising, it is estimated that hospitalization costs in fiscal year 1952 will be $7.50 per patient-day and that in fiscal year 1953 the costs will be $8.50 per patient day.

The appropriation of $9,400,000 for the construction and equipping of a 1,000-bed general medical hospital remains unobligated. However, plans and specifications have now been developed by the Republic of the Philippines and contract awards in fiscal year 1952 will result in an obligation of $1,990,000. An additional $4,000,000 will be obligated during fiscal year 1953 and the balance of the appropriation is expected to be obligated during fiscal year 1954.

STATUS OF PROGRAM

Mr. THOMAS. You want $1,861,500. What is the status of that program?

Mr. CORBITT. The Administrator approved plans last June for a 722-bed hospital to be built in Quezon City, 8 miles northeast of

Manila. During fiscal year 1950 Congress appropriated $9.4 million to cover the cost of constructing and equipping that hospital.

Mr. THOMAS. What was the basic act?

Mr. CORBITT. Public Law 865 of the Eightieth Congress.

Mr. THOMAS. What did it authorize; it authorized you to go ahead and build a hospital there and maintain it for what—10 years?

Mr. CORBITT. That act authorized an appropriation of $22.5 million for the construction and equipping of hospitals and $3,285,000 a year for a period of not to exceed 5 years to reimburse the Philippine Government for hospital care and treatment.

Mr. THOMAS. You have already built the hospital?

Mr. CORBITT. No, sir. Bids have been advertised and were supposed to have been returned February 9 of this year.

Mr. THOMAS. We appropriated $9.4 million for the hospital last year. What are the bids amounting to?

Mr. CORBITT. As I said, they were supposed to have been opened on the 9th of February—last Saturday—and we have not heard yet.

Mr. THOMAS. So you do not know whether you are going to have an overrun?

Mr. CORBITT. No, sir.

General GRAY. I would like to clarify one thing in there. That is that the Administrator was to approve the plans under this sum of money, but the Republic of the Philippines is to build the hospital.

Mr. THOMAS. In other words, all you have to do is to furnish the money and they are going to build it?

General GRAY. That is correct.

Mr. THOMAS. Then you are going to spend how much for 5 years?

General GRAY. We are maintaining over there at the present time a regional office and hospital care under contract, and it works out, by virtue of your direction, that we approve a plan of a hospital to be built, which has been done, and you appropriated us $9.4 million for it.

Mr. THOMAS. Your tab here is not very conclusive. You have some very good explanatory language some place in here, but under this tab it is not very conclusive. It must be in the front of your justifications. Can you put your finger on it? Where is your Philippine hospital program breakdown?

Read into the record at this point just what the act authorized you to do with reference to the Philippines. Do you have the original Act there? If so, read the pertinent part about the hospital and your annual contribution.

Mr. CORBITT. This is Public Law 865 of the Eightieth Congress, approved July 1, 1948. [Reading:]

To assist by grants-in-aid the Republic of the Philippines in providing medical care and treatment for certain veterans.

SEC. 3. Any grant for the construction and equipping of a hospital may be made prior to or following its completion: *Provided*, That the total of such grants shall not exceed $22,500,000.

SEC. 4. Grants for expenses incident to hospitalization may be made for a period not to exceed 5 years to reimburse the Republic of the Philippines for moneys expended for such hospitalization: *Provided*, That the total of such grants shall not exceed $3,285,000 for any fiscal year.

Mr. THOMAS. It was to authorize and build a 1,000-bed hospital and to maintain it for 5 years, with a limitation of how much per year on your maintenance?

Mr. CORBITT. $3,285,000 for medical care.

Mr. THOMAS. What were you authorized to spend on the construction of the hospital?

Mr. CORBITT. $8,000,000 for construction and $1,400,000 for equipment.

Mr. THOMAS. And you have already had appropriated $8,000,000 for the hospital and $1,400,000 for the equipment, making $9,400,000.

Now, what do you want this $1,990,000 for when your hospital is not even under construction?

Mr. CORBITT. That is to reimburse the Philippine Government for medical care and treatment of veterans in their hospitals at this time.

Mr. THOMAS. You mean that is a part of the law, regardless of whether a hospital is constructed?

Mr. CORBITT. That is right.

Mr. THOMAS. Your justifications state here:

An additional $4,000,000 will be obligated during fiscal year 1953, and the balance of the appropriation is expected to be obligated during fiscal year 1954.

As of today, what is the unobligated balance on this program, excluding the $9,400,000 and the $3,285,000?

Mr. BAKER. I might add we have never approached anywhere near the $3,285,000 a year. I believe it was about $350,000 in 1951, $1,100,000 in the current year, and $1,800,000 estimated for 1953.

Mr. CORBITT. Congress has appropriated both for construction and reimbursement.

Mr .THOMAS. That $9.4 million you have in cash still in the till?

Mr. CORBITT. Yes, sir.

Mr. THOMAS. And you have not let your contract yet?

Mr. CORBITT. No, sir.

Mr. ANDREWS. You have $9 million for the building. What happens if the bids come in for $10 million or $11 million?

Mr. CORBITT. I presume the Administrator will have to consider reducing the size of the hospital, or additional funds will have to be made available. Or it will be up to the Philippine Government to supplement it.

MISCELLANEOUS ACCOUNTS

Mr. THOMAS. I notice four or five items in your miscellaneous account, the most of which have gone by the board.

AUTOMOBILES

How many automobiles do you have this year? I see you want about 42 new ones and you want to exchange 43 old ones.

Mr. DRYDEN. That is right.

Mr. THOMAS. You have 930 now and want to buy 85 more. It is 1,015 automobiles; is that right?

Mr. BAKER. We plan to keep 930 old vehicles and buy 66 new ones for a total of 996 passenger vehicles.

COMPENSATION AND PENSIONS

Mr. THOMAS. I notice for pensions, on page 176 of the committee print, you have a budget estimate for 1953 of over $2 billion going into

benefits now in terms of dollars and cents. At the same time in pensions for 1953 you have a budget estimate of $2,204,351,000 as against an appropriation for 1952 of $2,112,230,000. Is that correct?

Mr. HOWARD. That is correct, Mr. Chairman.

SUPPLEMENTAL APPROPRIATION REQUESTS

Mr. THOMAS. Are you anticipating a deficiency in fiscal 1952?

Mr. HOWARD. Yes, sir. About $60 million, I believe it is.

Mr. THOMAS. Why the increase in 1952 over 1951?

Mr. HOWARD. There are more veterans and dependents coming on the rolls than are going off.

Mr. THOMAS. You say a supplemental appropriation of $100 million is anticipated for 1953, and you are also anticipating $60 million for 1952. Is this by virtue of the law Congress passed last fall increasing the benefits?

Mr. MOORE. The supplemental for 1952 is by virtue of the fact that Congress reduced us by $111 million in the 5 percent cut last year, which was just a little too much.

INCREASE IN BENEFITS

Mr. THOMAS. Has there been any increase in benefits under this bill?

Mr. HOWARD. We have had some liberalizing legislation.

Mr. THOMAS. What did it do in terms of dollars and cents?

Mr. HOWARD. I do not have it broken down in dollars and cents, but there has been an increase by virtue of Public Law 108, Eighty-second Congress which liberalized the service pension for veterans of the Spanish-American War; also Public Law 149 which grants aid and attendance allowance to veterans who are in receipt of a nonservice pension; also Public Law 174, which grants 2 years presumption for multiple schlerosis cases.

Mr. THOMAS. What do those liberalizing provisions amount to dollarwise?

Mr. HOWARD. I do not have the breakdown dollarwise.

Mr. THOMAS. What is your best guess on it?

Mr. HOWARD. I would say it would not be material.

1953 REQUESTED INCREASE IN APPROPRIATION

Mr. THOMAS. You are anticipating an increase for 1953 over 1952, including your $60 million plus your $100 million plus the $88 million, of about $245 million or $250 million in 1953 over 1952?

Mr. HOWARD. The total increase in requirements for 1953 over 1952 is approximately $21.6 million. We expect increases in the benefits we are paying Spanish-American War dependents; the Korean cases, and also veterans of World War I for non-service-connected conditions; and dependents of veterans of World War I with non-service-connected conditions; also World War II veterans and their dependents.

Mr. THOMAS. At this point in the record we will insert the program and performance beginning on page 178 of the committee print and also the very fine table denominated "Workload by activity," showing all the way from Spanish-American to World War I and World War II, peacetime dependents, and so forth, and also the table on page 179 of the committee print.

(The matter above referred to is as follows:)

PROGRAM AND PERFORMANCE

This provides for all compensation, pensions, and allowances, including emergency officers' retirement pay and annuities.

The total appropriation requested for 1953 is $2,204,351,000, an increase of $92,121,000 over the 1952 appropriation and $30,213,000 over 1951. Principal increases are proposed for payment of compensation to peacetime veterans and their dependents as a result of Public Law 28, Eighty-second Congress, and pension to World War I veterans who are becoming eligible for permanent and total disability payments as a result of increased age. Present trends indicate a supplemental requirement of $42,000,000 for 1952. Proposed rate increase will require a supplemental of $100,000,000 in 1953.

The workload shown on the following pages is the average number of veteran cases. The unit costs show the actual average costs per case.

Workload by activity

[Average number of veterans' cases]

	1951 actual	1952 estimate	1953 estimate
1. Compensation:			
(a) Spanish-American War Veterans	558	513	489
(b) Spanish-American War dependents	1,179	1,164	1,147
(c) World War I veterans	287,741	275,982	264,635
(d) World War I dependents	64,649	62,412	60,252
(e) World War II veterans	1,635,679	1,635,697	1,637,853
(f) World War II dependents	254,588	258,310	261,950
(g) Peacetime veterans [1]	56,205	62,278	70,514
(h) Peacetime dependents [1]	19,843	27,154	33,602
2. Pensions:			
(a) Yellow-fever experiments	3	3	3
(b) Mexican War dependents	23	21	18
(c) Indian war veterans	424	331	256
(d) Indian war dependents	1,708	1,555	1,416
(e) Civil War veterans	10	3	1
(f) Civil War dependents	10,990	9,518	8,247
(g) Spanish-American War veterans	87,853	82,222	78,346
(h) Spanish-American War dependents	78,829	79,654	80,235
(i) World War I veterans	255,455	256,827	369,079
(j) World War I dependents	226,189	239,373	250,175
(k) World War II veterans	27,639	33,220	40,054
(l) World War II dependents	12,423	15,334	18,007
(m) Peacetime-service veterans [1]	421	433	447
(n) Peacetime-service dependents [1]	130	140	150
3. Other:			
(a) Emergency officers' disability retirement	2,098	1,862	1,779
(b) Adjusted service and dependents' pay	18	23	17
(c) Subsistence allowance for disabled veteran trainees	99,872	58,337	41,014

[1] Includes cases of veterans who served on or after June 27, 1950, and entitlement is under Public Law 28, 82d Cong., May 11, 1951.

benefits now in terms of dollars and cents. At the same time in pensions for 1953 you have a budget estimate of $2,204,351,000 as against an appropriation for 1952 of $2,112,230,000. Is that correct?

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3. Other:			
(a) Emergency officers' disability retirement	2,098	1,862	1,779
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(c) Subsistence allowance for disabled veteran trainees	99,872	58,337	41,014

[1] Includes cases of veterans who served on or after June 27, 1950, and entitlement is under Public Law 28, 82d Cong., May 11, 1951.

Unit costs, by activity

[Per veteran's case per year]

	1951 actual	1952 estimate	1953 estimate
1. Compensation:			
(a) Spanish-American War veterans	$1,878	$1,878	$1,878
(b) Spanish-American War dependents	926	926	926
(c) World War I veterans	794	795	795
(d) World War I dependents	853	855	858
(e) World War II veterans	569	573	575
(f) World War II dependents	930	930	930
(g) Peacetime veterans [1]	652	651	650
(h) Peacetime dependents [1]	971	963	962
2. Pensions:			
(a) Yellow-fever experiments	1,583	1,500	1,500
(b) Mexican War dependents	545	540	540
(c) Indian war veterans	1,171	1,170	1,170
(d) Indian war dependents	567	570	570
(e) Civil War veterans	1,418	1,440	1,440
(f) Civil War dependents	629	552	552
(g) Spanish-American War veterans	1,135	1,150	1,163
(h) Spanish-American War dependents	606	608	609
(i) World War I veterans	807	810	810
(j) World War I dependents	554	540	528
(k) World War II veterans	813	774	756
(l) World War II dependents	624	615	609
(m) Peacetime-service veterans [1]	197	232	264
(n) Peacetime-service dependents [1]	373	411	444
3. Other:			
(a) Emergency officers' disability retirement	1,911	1,937	1,937
(b) Adjusted service and dependents' pay	365	334	345
(c) Subsistence allowance for disabled veteran trainees	1,353	1,353	1,353

[1] Includes cases of veterans who served on or after June 27, 1950, and entitlement is under Public Law 28, 82d Cong., May 11, 1951.

NEED FOR SUPPLEMENTAL APPROPRIATION

Mr. THOMAS. What is the unexpended balance of this $2,122,000,000 as of December 31?

Mr. BAKER. $1,039,714,000 unexpended on December 31 out of the $2,122,000,000 total available.

Mr. THOMAS. Your $60 million estimated deficiency is out of line a little bit—to the tune of about $40 million.

Mr. BAKER. We expended in the first 6 months $1,083,000,000.

Mr. THOMAS. That leaves you $1,039,000,000 unexpended?

Mr. BAKER. That is right.

Mr. THOMAS. And the difference between 82 and 39 is not 60; is it?

Mr. BAKER. No.

Mr. THOMAS. So that you have a little cushion in there of about $25 million in the deficiency.

Mr. MOORE. They are anticipating an increased load during the last 6 months.

Mr. THOMAS. Why?

Mr. MOORE. Of new claims coming in under these laws.

Mr. HOWARD. We are putting more on the rolls each month than are coming off.

Mr. THOMAS. In other words, these new increases have not been felt as yet?

Mr. HOWARD. No, sir.

Mr. THOMAS. And you think $60 million is going to be necessary?

Mr. HOWARD. Yes, sir.

Readjustment Benefits

Mr. Thomas. What about your readjustment benefits? You have $861,640,000 appropriated for 1952, and it decreases to $698,634,000 for 1953. I think that has already been covered.

National Service Life Insurance

In your national service life insurance you have a regular appropriation of $66,795,000 plus a supplemental of over $116 million, or more than $180 million for 1952, and in 1953 it is $54,072,000.

I believe you indicate a $50 million deficiency for 1952. Is that correct?

Mr. Stirling. That is correct, sir.

Mr. Thomas. That will give you in the neighborhood of $235 million for 1952, then. Why is your estimate only $54 million for 1953?

At this point we will insert the language at the bottom of page 192 and the top of page 193 of the committee print.

(The matter above referred to is as follows:)

Program and Performance

Payments are made to the national service life insurance fund to meet (*a*) death claims and waivers of premium where such claims are determined to be due to the extra hazards of military or naval service; (*b*) claims for gratuitous insurance; (*c*) waivers of recovery of erroneous payments or overpayments from the fund; and (*d*) certain other payments.

Present trends indicate a supplemental appropriation of $50,000,000 will be required in fiscal year 1952 for payments to the national service life insurance fund on account of deaths arising from Korean hostilities.

Mr. Thomas. What about that, Mr. Stirling—

Payments are made to the national service life insurance fund to meet (*a*) death claims and waivers of premium where such claims are determined to be due to the extra hazards of military or naval service; (*b*) claims for gratuitous insurance; (*c*) waivers of recovery of erroneous payments or overpayments from the fund—

and so forth?

Mr. Stirling. As I understand, we have a balance of about $64,231,678.

Mr. Thomas. As of what date?

Mr. Stirling. As of December 31.

Mr. Thomas. You were given about $182 million; so you are going to come up with a deficiency all right.

Is this to take care of the new insurance program where you converted it over last year to where the Government pays all premiums?

Mr. Stirling. No, sir.

Mr. Thomas. What is this?

Mr. Stirling. This is purely national service life insurance policies which are now in effect and which fall under the provisions of the national service life insurance. The large sum involved in the $54,072,000 is about $40 million due to waiver provisions of Public Law 23. That is to say if a serviceman today waives payment of his premium under the national service life insurance and dies, the insurance that is paid to him is paid out of the national service life insurance appropriation.

STATUS OF FUND

Mr. THOMAS. What is the status of this fund?

General GRAY. Last year I heard it. It was five-billion-some-hundred-million-some-hundred-thousand-and-some cents. I remember the billion and the cents.

Mr. THOMAS. Is that assets or liabilities?

General GRAY. That is assets.

Mr. THOMAS. What are the potential liabilities?

General GRAY. About $45 billion, as I understand it.

PREVIOUS APPROPRIATIONS

Mr. THOMAS. The last really big appropriation on this was in 1950, when you only had $467 million. I remember in 1946 it was $900 million. It looks like every other year you have to add about half a billion dollars to this fund.

TAXPAYERS' PART IN PROGRAM

Roughly what part of the insurance does the taxpayer carry on this program?

Mr. ODOM. The extra hazard due to war.

Mr. THOMAS. Dollarwise, what part?

Mr. STIRLING. There is $54,072,000 in this appropriation for that.

PURPOSE OF PROGRAM

Mr. THOMAS. This is mainly for the World War II program? Is there any World War I in this?

Mr. STIRLING. No, sir. World War I is the military and naval insurance in the amount of $6,854,000 on page 282.

LIABILITY OF FUND

Mr. THOMAS. And the outside liability of this fund, you say, is how much—$45 billion?

General GRAY. That is the last figure I heard. That was the written liability of the insurance policies in effect for World War II.

Mr. THOMAS. We will insert page 288 of the justifications in the record at this point.

(The matter above referred to is as follows:)

JUSTIFICATION OF ESTIMATES, FISCAL YEAR 1953

NATIONAL SERVICE LIFE INSURANCE FUND, VETERANS' ADMINISTRATION

Section 605 of Public Law 801, Seventy-sixth Congress, created a permanent trust fund which is designated as the "national service life insurance fund." This fund is the legal recipient of all premiums paid for national service life insurance and the interest earned thereon. This fund also bears the liabilities under insurance outstanding, including payment of dividends and the refunds of unearned premiums to the policyholders. Payments from this fund are made in accordance with awards by the Administrator. The Secretary of the Treasury is authorized to invest or reinvest these funds in interest-bearing obligations of the United States or those guaranteed as to principal and interest by the United States. This fund is reimbursed for payments that it makes on death or disability claims which are traceable to the extra hazard of the military or naval service in accordance with section 607 of the act.

The unit of measure or workload directly related to this fund is policies in force. The following tabulation shows the estimated insurance in force on October 31, 1951, by plan of insurance:

Insurance in force Oct. 31, 1951

	Number of policies	Face value
1. 5-year level premium term	5,015,288	$39,374,127,500
2. Ordinary life	395,101	2,223,295,500
3. 20-payment life	986,860	4,176,760,000
4. 30-payment life	364,479	1,875,626,000
5. 20-year endowment	161,565	566,658,000
6. Endowment at age 60	82,077	433,853,000
7. Endowment at age 65	45,337	245,231,000
8. Extended insurance	63,230	218,731,465
9. Paid-up insurance	1,328	1,075,247
Total	7,113,265	49,115,357,712

Mr. THOMAS. This shows the liability today is $49,115,357,712. That is the face value of the policies. It also sets out the number of policies—7,113,265.

ASSETS OF FUND

Mr. ANDREWS. With assets of about $5 billion; is that right?

Mr. BAKER. About $5.5 billion at the beginning of the current fiscal year.

BASIS FOR APPROPRIATION

Mr. THOMAS. These appropriations are on an annual basis, and are needed to take care of the amount of funds we pay out during that current fiscal year. Is that the way you arrive at it?

Mr. STIRLING. That is correct.

Mr. THOMAS. So this program will never decrease in size; if anything, it will increase with time; will it not?

Mr. STIRLING. No, sir. I think it will decrease in time.

Mr. THOMAS. Why?

Mr. STIRLING. To begin with, under Public Law 23, we are not writing any more new policies under national service life insurance, nor under United States Government life insurance.

Mr. THOMAS. That has no bearing on those boys who bought the 7 million policies.

Mr. ODOM. They carried those, except for the extra hazard of war.

Mr. THOMAS. What part of the total program is that?

Mr. ODOM. It is not paid premium-wise; it is paid by liability.

Mr. THOMAS. What part of the liability is it?

Mr. ODOM. It depends on how many casualties you have.

Mr. THOMAS. That is the biggest part of it, though.

Mr. ODOM. It was during the wartime.

Mr. THOMAS. What is the peacetime?

Mr. ODOM. Peacetime, there will be no extra hazard.

General GRAY. Unless the man goes back in service.

Mr. ODOM. Or unless he dies of a disability incurred while in service.

Mr. THOMAS. In truth and in fact, there is no difference between those policies in World War II and World War I, is there? They are two separate and distinct programs, but in both instances the taxpayers pay for the extra hazard part of the policy.

General GRAY. That is correct.

Mr. ODOM. This policy carries a whole lot nearer its own weight than World War I did. On World War I policies, I think the figures were approximately $467 million collected in premiums, and the liability was $2.3 billion. But that was the war risk insurance.

SERVICEMEN'S INDEMNITY

Mr. THOMAS. The next program is one passed last year whereby you did away with this premium, so to speak. I mean as far as new policies were concerned.

Mr. STIRLING. As far as new policies were concerned.

Mr. THOMAS. But with the taxpayers paying the entire premium cost; then, when the man gets out of the service, he carries his own. Is that correct?

Mr. STIRLING. That is right.

Mr. THOMAS. This is for servicemen's indemnities. Last year you had $5,000,000; this year you are asking for $8,595,000, and this is under Public Law 169 passed last October 11.

Mr. STIRLING. Public Law 23 is the basic authority.

Mr. THOMAS. Well, you have written here Public Law 169, act of October 11, 1951. Is that correct?

Mr. STIRLING. That is the act appropriating $5,000,000 under the authority contained in Public Law 23, approved April 25, 1951.

Mr. THOMAS. Then this must be a mistake.

Mr. STIRLING. The chairman (Mr. Thomas) is talking about the servicemen's indemnity appropriation; is that right?

Mr. THOMAS. Yes. Maybe the citation is in error.

What is the unexpended balance for 1952 of this $5 million up to December 31?

Mr. BAKER. $2,054,000 at December 31, unexpended.

BASIS FOR 1953 APPROPRIATION REQUEST

Mr. THOMAS. How do you arrive at this figure of $8,595,000 for 1953?

Mr. BAKER. We are also estimating supplemental requirements for the current year of about $2,300,000 in this particular item.

PROGRAM AND PERFORMANCE

Mr. THOMAS. At this point we will insert the language at the bottom of page 194 of the committee print.

(The matter referred to is as follows:)

PROGRAM AND PERFORMANCE

The Servicemen's Indemnity and Insurance Act of 1951 provides that beneficiaries of the servicemen who dies while in active service or within a period of 120 days after release from active service are entitled to receive and indemnity in the amount of $10,000 less any national service life insurance and/or United States Government life insurance carried by the deceased. Payments are to be made to the beneficiaries in 120 equal installments plus interest at the rate of 2¼ percent per annum.

COST COMPARISON WITH WORLD WARS I AND II

Mr. THOMAS. How much money is this program going to cost with reference to World War I and II for the same purpose?

Mr. STIRLING. World War I or World War II are not in this.

Mr. THOMAS. No; but I said, what will it cost in comparison with those in World War I and World War II to cover the identical same purpose?

Some of the veterans are protesting they are shifting the burden of cost of this insurance to them in greater proportion than it was shifted to veterans of World Wars I and II.

Mr. STIRLING. It depends upon the number of deaths in service.

General GRAY. You see, in the Armed Forces there were 405,000 casualties in World War II, and at $10,000 per person that would be $4.050,000,000.

Mr. THOMAS. Is it generally estimated that this program will cost the taxpayers less than the program of World Wars I and II, say, on the basis of any number of casualties?

General GRAY. At the time of the enactment of Public Law 23, I did not hear personally any such estimates of operations under that.

Mr. THOMAS. What was the theory behind this act—to get the Government out of the insurance business?

General GRAY. That is generally the statement that I heard most everywhere.

GRANTS TO THE REPUBLIC OF THE PHILLIPPINES

Mr. THOMAS. Let me straighten out that Philippine item. The Philippine Government received a grant for the construction and equipment of a veterans' hospital of 1,000 beds. The total liability for construction and equipment is $9.4 million. Is that correct?

Mr. CORBITT. Correct.

Mr. THOMAS. And the total liability is $22.5 million, and the $9.4 million will be about $16 million for a 5-year period for maintenance and operation. Is that correct?

Mr. CORBITT. Yes, sir.

Mr. THOMAS. Not to exceed $3,285,000 per year for 5 years will be about $16.4 million.

Mr. CORBITT. Yes, sir.

Mr. THOMAS. Are there any questions?

COST OF ADMINSTRATION

Mr. COTTON. I would like to ask again what percentage of the Veterans' Administration dollar goes to the cost of administration?

Mr. BAKER. In 1951 the percentage of administration cost to total funds expended by the Veterans' Administration was 5 percent; in 1952 it is estimated at 4.6 percent; and in 1935 it is estimated at 5.1 percent. And that cost of administration includes salaries and other office expenses.

Mr. COTTON. That means salaries and office expenses of the Bureau and of its branch offices; it does not mean the staffs of hospitals?

Mr. BAKER. No.

General GRAY. It is everything except the hospital program.

Mr. COTTON. And it includes salaries, rents, transportation, communication, and everything else?

Mr. BAKER. That is right.

General GRAY. It is what might be called in general terms the operating expenses rather than the medical department expenses.

AVERAGE AUTHORIZED BEDS

Mr. THOMAS. Admiral, you said something a while ago, and I believe you have an additional statement you want to make.

Admiral BOONE. I would like to clarify the situation about the authorized bed total of 129,000. While the total of 129,000 average authorized beds will be available in fiscal year 1953, it will only be possible to operate 119,000. In other words, 10,000 unavailable beds are spread throughout the entire hospital system and represent beds which canont be operated due to renovation, painting, repairs, beds not activated in new hospitals, and additions, or because of unavailability of staff.

Mr. THOMAS. Under your $15 million program, you change over between 900 and 1,000 beds.

Admiral BOONE. This does not add beds but merely changes them to a required category.

Mr. THOMAS. In 1953 you are going to have 129,000 beds.

Admiral BOONE. Yes, sir.

Mr. THOMAS. And the testimony so far is that under your improvements, repairs, alterations, and change-overs, we will call them, to the tune of $15 million, you are changing over between 900 and 1,000 beds. Where are the other 9,000 beds that won't be occupied?

Admiral BOONE. These 10,000 beds represent a day-to-day operating situation, but since only operating beds are available for patients, our utilization rates are normally calculated on the lesser number of beds so that our vacancy rate is about 16 percent, rather than the 20-percent figure which you have used. These beds are not directly related to the modernization program.

Mr. THOMAS. You had just as well not have those 10,000 beds if you are not going to use them. Of course, if as you say in one fell swoop you have 10,000 beds on a day-to-day basis that you do not use and you subtract that number of beds, and that puts up the occupation figure to around 84 percent, what happens to the 10,000 beds in the meantime?

Admiral BOONE. Past experience has proven that an average of 80–85 percent utilization of total bed capacities represents maximum efficiency in the operation of hospitals since it provides sufficient flexibility for the distribution of patients and, at the same time, permits the carrying of peak loads. I would like to make reference to the research matter——

RESEARCH COSTS

Mr. THOMAS. Admiral, do you know how much this Government is spending in 1953 for research in all of its phases?

Admiral BOONE. No, sir.

Mr. THOMAS. $2,033,000,000.

Admiral BOONE. I just figured our costs out a minute ago. Medical research costs are only two-thirds of 1 percent of the over-all cost of medical care, which cost is very low with respect to providing a modern medical treatment program.

Mr. THOMAS. Is there anything further?

PRESENTATION OF JUSTIFICATIONS

General GRAY. I would like to make a statement in closing, if I may. You have hit upon some very pertinent data incident to our submission. We have very definitely labored and given you, based on our experience and information and capacity to estimate, what we think we will require.

Mr. THOMAS. General, you and your staff always make a good justification, and if the items we do not undertand are not clear, why, you and your staff always have the answers and lay everything on the line.

General GRAY. We try to put 52 cards and the joker up on the table all the time, and we will never come up here in any other frame of mind. But I do want to invite your attention to the fact that we have to estimate to a large degree on unknown quantities.

Mr. THOMAS. We realize that.

General GRAY. And to that end and extent sometimes we underestimate, and sometimes we have no conception of what situation is going to come to pass in the way of a bill that will add materially to our requirements.

SERIOUSNESS OF THE CONDITION OF SOME VA BUILDINGS

The last statement I want to make to you is that I want you please to realize the seriousness of the condition of this number of buildings we have in this Veterans' Administration and to say to you that a great catastrophe can occur and is the one source of what troubled sleep I have. And after having maintained property for 40 years running in the hundreds of millions of dollars, we have tried to arrive at and come before you with a definite program and plan which is understandable and recognizable as being factual and necessary. And when you realize there are buildings in this Administration in which we have patients on the second floor with no adequate fire protection, it cannot be allowed to continue. We either have to close those hospitals or we have to have adequate and proper safety and sanitary conditions if we are going to run the hospitals. And it is to that end that we are coming to you from time to time with a very clean-cut picture and everything, to show you just what we require.

Mr. THOMAS. Thank you, General, and we thank all of you. It is always a pleasure to have you with us. You have a very capable staff. We are proud of all of you. A lot of good luck to you.

TUESDAY, FEBRUARY 26, 1952

VETERANS' ADMINISTRATION

WITNESSES

GEN. CARL R. GRAY, JR., ADMINISTRATOR OF VETERANS AFFAIRS
S. M. MOORE, JR., BUDGET OFFICER
JOHN D. BAKER, ASSISTANT DIRECTOR, BUDGET SERVICE
U. E. WELLS, CHIEF, ESTIMATES DIVISION
F. H. DRYDEN, ASSISTANT ADMINISTRATOR, CONSTRUCTION, SUPPLY, AND REAL ESTATE
F. W. KELSEY, ASSISTANT ADMINISTRATOR, FINANCE
W. HOWARD, ASSISTANT ADMINISTRATOR, CLAIMS
H. V. STIRLING, ASSISTANT ADMINISTRATOR, INSURANCE
S. H. COILE, ASSISTANT ADMINISTRATOR, VOCATIONAL REHABILITATION AND EDUCATION
J. C. GARVER, CONSTRUCTION, SUPPLY, AND REAL ESTATE STAFF ASSISTANT

MAJOR ALTERATIONS AND IMPROVEMENTS

Mr. THOMAS. Gentlemen, will the committee please come to order. We have with us this morning our friends from the Veterans' Administration, Gen. Carl R. Gray, Jr., Administrator of Veterans' Affairs; Mr. S. M. Moore, Jr., Budget Officer; Mr. John D. Baker, Assistant Director, Budget Service; Mr. U. E. Wells, Chief, Estimates Division; Mr. F. H. Dryden, Assistant Administrator, Construction, Supply and Real Estate; Mr. F. W. Kelsey, Assistant Administrator, Finance; Mr. W. Howard, Assistant Administrator, Claims; Mr. H. V. Stirling, Assistant Administrator, Insurance; Mr. S. H. Coile, Assistant Administrator, Vocational Rehabilitation and Education; and Mr. J. C. Garver, Construction, Supply, and Real Estate, Staff Assistant.

1953 SUPPLEMENTAL APPROPRIATION

The Veterans' Administration is seeking a supplemental appropriation for 1952, as well as a supplemental appropriation for 1953. At this point we will take up the supplemental for 1953, as contained in House Document No. 369, which seeks $5,500,000 to aid and supplement that part of the new program started in the fiscal year 1953 dealing with major alterations and improvements to existing hospitals and homes of the Veterans' Administration. These particular projects are designated as those to cost $250,000 or less for each repair on each project.

You will recall that we had two new programs in the 1953 budget estimates and requests to start them. The other one was for $15 million for major alterations of those institutions of the Veterans' Administration which in each case would cost about $250,000.

JUSTIFICATION OF REVISED ESTIMATE

At this point we will insert pages 1 and 2 of the justification for this request in the record.

(The pages referred to are as follows:)

JUSTIFICATION OF REVISED ESTIMATE

Major alterations, improvements and repairs, Veterans' Administration, $9,500,000

The revised estimate in the amount of $9,500,000 under this appropriation provides for accomplishment of urgently required non-bed improvement and repair projects in VA hospitals and homes.

The attached list setting forth projects to be accomplished with the original $4,000,000 request and the additional $5,500,000 represents the most urgent non-bed projects in this program and replaces the list of projects transmitted with the original submission.

Accomplishment of these projects in fiscal year 1953 is deemed essential to adequate maintenance of facilities and proper care of patients.

The appropriation language provides for an increase in the fiscal year 1953 appropriation of $5,500,000. Other provisions of the language remain unchanged.

Major alterations, improvements and repairs (projects with estimated cost of $250,000 or less each)

(Revised list showing supplemental request, original request, and total request)

a. Original request	$4,000,000
b. Supplemental request	5,500,000
Total request	9,500,000

Mr. THOMAS. How many repair jobs do you intend carrying out to consume all of this $9,500,000?

Mr. BAKER. The table which appears on page 2 and the following pages sets out all the projects that make up the $9,500,000. There are 69 projects, as I remember the number.

Mr. THOMAS. I thought there were about 58 projects.

Mr. BAKER. There are 60 locations, and they include a total of 69 projects. You will notice that page 9 concludes the list.

Mr. THOMAS. Well, it might be well to insert pages 2 through 9 in the record.

(The table referred to is as follows:)

Revised major alterations, improvements, and repairs (nonbed) program,[1] fiscal year 1953

Location	Total authorized beds [2]	Total estimated cost	Brief project description [1]
		Thous. of dols.	
Total request		9,500	(SUPPLEMENTAL REQUEST $5,500,000; ORIGINAL REQUEST $4,000,000)
1. Various stations		[3] 1,111	[Interim patients protection program (composed of projects individually estimated to cost $250,000 or less, such as automatic sprinklers, fire escapes, enclosing stairways, augmenting station water supply, etc.).] [4]
2. Various stations		[3] 44	[Lead lining of dental X-ray units.]
3. Atlanta, Ga	(5)	[3] 11	[Electrical distribution system (replace worn out inadequate underground electric transmission cable with new cable of adequate capacity).] [4]
4. Augusta, Ga	1,686	94	Modernize boiler plant (including installation of pulverizing units and combination burners for pulverized coal, oil, or gas).
5. Batavia, N. Y	245	123	Air-condition operating suite (including construction of utility penthouse, explosion-proof fixtures, etc.); provide multi-channel radio (including altering space for studio and control rooms, etc.).
6. Bath, N. Y	1,925	[3] 187	[Construct additional bridge span and levees; alter bridge abutments to help control floods and provide access road for supplies, etc., in time of flood]. [4]
7. Bay Pines, Fla	1,254	[6] 124	Additional water intake and storage capacity; development of existing cemetery (including grading, roads, landscaping, etc.); [construct wheel chair ramps, 2 buildings]. [4]
8. Bedford, Mass	1,803	138	Rehabilitation of sewage disposal plant (including replacing the digestor and increasing sludge-bed capacity, etc.); provide chain link perimeter fence (neuropsychiatric hospital).
9. Biloxi, Miss	993	[3] 139	[Replace 2 obsolete and worn out elevators with new elevators; general alterations (including establishing isolation and infirmary wards; providing oxygen and special services storage, operating suite conductive flooring, dental X-ray lead lining, etc).] [3]
10. Boise, Idaho	250	64	Air condition operating suite (including general construction, conductive flooring, explosion-proof fixtures, auxiliary lighting, etc.).
11. Bronx, N. Y	1,558	133	General alterations (includes fixed equipment) for nursing units including tuberculosis ward (with pneumo-thorax and radiographic rooms), also offices, utility and surgical equipment rooms, day rooms, etc.
12. Butler, Pa	500	61	Air condition operating suite (including related construction, explosion-proof fixtures, etc.).
13. Canandaigua, N. Y	1,700	[3] 117	[Replace 3 obsolete and unsafe elevators with new elevators.] [4]
14. Castle Point, N. Y	605	250	Addition to and rehabilitation of laundry building (including additional equipment).
15. Chillicothe, Ohio	2,116	[6] 183	Provide and equip central sterile supply; alterations to provide chapel, medical and patient's libraries, canteen, canteen storage, special services offices, etc.; [expand dental clinic.] [4]
16. Coatesville, Pa	2,018	[6] 177	Additional water supply and storage (approximately 300,000-gallon steel tank, booster pumps, controls, etc.); [general alterations to correct existing deficiencies (including conversion of facilities for care of neurological patients, alterations to tuberculosis-neuropsychiatric ward, provide lecture room, lead lining for dental suite, etc.)] [4]
		[3] 159	[Modernize power plant (including installation of fly-ash collectors, traveling grate stokers, combustion controls, alteration of ignition arches, etc.)] [4]
17. Columbia, S. C	609	52	Refrigeration improvements for dietetic service (includes replacing condenser and compressor, adjustments to existing system).
18. Coral Gables, Fla	450	148	Improve and expand X-ray and dental facilities; provide and equip central sterile supply.
19. Danville, Ill	1,717	[3] 91	[Replace obsolete and unsafe elevator with new elevator, enclose porches to provide dining space.] [4]
		[3] 183	[Install 1 new elevator in each of 2 patients' buildings, enclose porches to provide dining space.] [4]
20. Dayton, Ohio	3,445	[6] 178	[Install fly-ash arrestors at power plant]; [4] relocate 3d St. entrance to eliminate traffic hazard.

See footnotes at end of table.

Revised major alterations, improvements, and repairs (nonbed) program,[1] fiscal year 1953—Continued

Location	Total authorized beds [2]	Total estimated cost	Brief project description [1]
		Thous. of dols.	
21. Dearborn, Mich	1,117	96	Alter old lanudry building for utility shops and old shops building for supply warehouse; convert general medical ward to neuropsychiatric use.
22. Des Moines, Iowa	393	143	General alterations (including permanent replacement of temporary petitions, porches, X-ray therapy building, aseptic technique, etc.); extend air conditioning of operating suite and expand pharmacy.
23. Downey, Ill	2,664	[6] 85	Air condition surgical building (temporary structure at Lawrence and McIntire); alter dental clinic building to provide dental X-ray and oral surgery; [install a septic technique for tuberculosis section wards in 8 buildings, nurses call system, night and exit lights, etc.] [4]
24. Excelsior Springs, Mo	251	[3] 184	[Alter dietetic service to provide serving kitchens on second and third floors, rearrange kitchen facilities, install additional dumbwaiter to reduce risk of tuberculosis contamination, and make alterations to relocate doctors' examining rooms, nurses stations and provide aspectic technique.] [4]
25. Fargo, N. Dak	400	[3] 100	[Construct new permanent utility shop building to permit consolidation of shops now widely scattered (some in Quonset huts) and without adequate work and storage space. Convert existing shops building to grounds maintenance machine storage.] [4]
26. Fayetteville, N. C	416	[3] 250	[Relocate and expand inadequate clinical laboratory to approximately twice present size and make related shifts in occupational therapy and patients' clothing storage space; dietetic improvements (including installation of cafeteria line and related facilities).] [4]
27. Fort Bayard, N. Mex	222	50	Replace existing incinerator with new incinerator of adequate capacity.
28. Fort Lyon, Colo	818	81	Air-condition operating suite (including construction of utilities penthouse, other general construction, auxiliary lighting, explosion-proof fixtures, etc.).
29. Fort Thomas, Ky	395	[3] 18	[Repair road slip caused by underground water seepage and replace sewer line exposed and rendered dangerous by road slide.] [4]
30. Hot Springs, S. Dak	818	51	Air-condition operating suite (including general construction, conductive flooring, explosion-proof fixtures, etc.).
31. Jackson, Miss	750	37	Minor improvement, open ward buildings (including bed pan sterilizers, cubicle curtain rods, etc.); expand general laboratory including blood bank, transfusion rooms, chemistry rooms, etc.).
32. Knoxville, Iowa	1,631	83	Dietetic improvements (including replacing single obsolete counter with 2 modern cafeteria lines; replacing dishwashing equipment, etc.).
33. Lexington, Ky	1,216	70	Air-condition operating suite (including construction of utilities penthouse, other general construction, auxiliary lighting, explosion-proof fixtures, etc.).
34. Lincoln, Nebr	300	[3] 122	[Replace deteriorated parkway electric cable with new underground electric cable enclosed in concrete ducts.] [4]
35. Long Beach, Calif	1,600	57	General alterations and improvements in recreation building (including toilet facilities, projection booth, stage porches, paraplegics' wheel-chair ramps, etc.); consolidate bacteriological laboratories.
36. Los Angeles, Calif	6,573	[6] 190	Alter old dining hall and kitchen building to provide rehabilitation and recreational facility for medical and patients' libraries, canteen, special services, etc.; [install 1 diet kitchen in convalescent building; installation of underground secondary electrical distribution and signal ducts (second phase of a 3-phase program)]. [4]
37. Lyons, N. J	2,013	206	Replace and relocate cable in underground electrical distribution system; rearrange operating room to provide nurses workroom and endescope room.
		250	Expand boiler house (including one additional boiler, replace steam lines to temporary building, etc.).
		[3] 247	[Additional water supply and storage (including approximately 400,000-gallon standpipe and connection to additional 6-inch supply main); replace makeshift tables with standard cafeteria line serving patients in 5 buildings.] [4]
		[3] 197	[General alterations to various buildings (including improvements to dietetic facilities, adjustments to improve efficiency of administrative space, improve lighting facilities, etc.).] [4]

See footnotes at end of table.

Revised major alterations, improvements, and repairs (nonbed) program,[1] fiscal year 1953—Continued

Location	Total authorized beds[2]	Total estimated cost	Brief project description[1]
		Thous. of dols.	
38. Marion, Ind	1,696	82	Addition to dining hall and kitchen to eliminate overcrowding and permit proper sanitation.
39. Minneapolis, Minn	1,046	[3] 229	[Alterations and improvements to administration building (includes expanding medical illustration laboratory, install canteen, enclose stairways, expand blood bank, doctors' call system, etc.)][4]
		[3] 229	[Alterations and improvements to general utility building and recreation building (includes removing detention features, eliminate substandard conditions and overcrowding in wards, provide adequate food-service facilities, etc.).][4]
		[3] 225	[Alterations, rehabilitations, and repairs to various buildings (including elevators, dumbwaiters, outside services, replacing of exterior downpouts with interior downspouts, miscellaneous repairs, etc.).][4]
		[5] 153	[Grounds development and miscellaneous alterations to main building; (including replacing of existing windows, patching cast stone, etc.).][4] Electric distribution system, replace worn-out inadequate electric transmission line with new line of adequate capacity.
40. Murfreesboro, Tenn	1,307	[3] 238	[Addition to and rehabilitation of laundry building (including additional equipment).][4]
41. North Little Rock, Ark	2,095	[5] 200	Convert neuropsychiatric building to provide tuberculosis-neuropsychiatric facilities (including aseptic technique, detention screens, etc.); [construct addition to clinical building to expand and provide adequate space for morgue and embalming;][4] relocate and expand canteen to replace present inadequate facilities.
42. Oteen, N. C	1,996	74	Replace 2 obsolete and worn-out elevators with automatic elevators.
43. Outwood, Ky	316	[3] 59	[Construct connecting corridors between 2 buildings (to route inter-building patient and personnel traffic through corridors instead of through kitchen and reduce TB contamination risk).][4]
44. Palo Alto, Calif	1,411	100	Modernize boiler plant (including replacement of 2 worn-out boilers, install combination gas and oil burners, controls, etc.).
45. Portland, Oreg	567	50	Air-condition operating suite (including conductive flooring, explosionproof fixtures, etc.).
46. Richmond, Va	1,100	[3] 26	[Relocate and expand pharmacy and clinical laboratory and make related nursing service and other space adjustments; consolidate scattered supply storage into 2 buildings and provide loading docks, etc.][4]
47. Roseburg, Oreg	670	163	Provide tuberculosis-neuropsychiatric isolation ward (including aseptic technique, etc.); expand and improve medical rehabilitation facilities; construct paint shop and storage space for inflammable materials.
48. Rutland Heights, Mass	615	[3] 122	[Air-condition operating suite (including general construction, auxiliary lighting, conductive flooring and explosion-proof fixtures); remodel ward kitchens (including construction, electrical and plumbing alterations, sanitary tile walls, etc.).][4]
49. St. Cloud, Minn	1,379	[3] 89	[Replace worn and unsafe coal handling equipment and coal sheds with new coal bunker and related equipment to permit efficient handling of coal even under adverse weather conditions.][4]
50. San Francisco, Calif	440	[3] 56	[Alter isolation kitchen (including installing dish-washing and garbage-disposal equipment to minimize infection); expand morgue to provide adequate autopsy space and related facilities and equipment.][4]
51. San Juan, P. R	200	[6] 108	Provide central sterile supply; air-condition medical conference-classroom; erect security chain link perimeter fence; construct animal house to permit carrying out teaching program involving bacteriological control and pathological tissue investigation experiments.[3]
52. Tomah, Wis	1,176	22	Alter main kitchen and dining room buildings to provide temporary dish-washing facilities on dining floor level and necessary storage facilities.
53. Tucson, Ariz	405	[6] 213	[Modernize and rehabilitate 7 diet kitchens in 2 buildings (including replacing badly worn floors and equipment)];[4] addition in permanent construction to provide medical library.
54. Tuscaloosa, Ala	968	[3] 49	[Provide central sterile supply, relocate chapel and finance office in main building (permitting demolition of Quonset huts) and related adjustments.][4]
		[3] 238	[Addition to and rehabilitation of laundry building (including additional equipment).][4]

See footnotes at end of table.

Revised major alterations, improvements, and repairs (nonbed) program,[1] fiscal year 1953—Continued

Location	Total authorized beds [2]	Total estimated cost	Brief project description [1]
		Thous. of dols	
55. Vancouver, Wash.	575	11	Connect sanitary sewer to new city disposal system (including separation of VA sanitary and storm water sewerage systems).
56. Waco, Tex.	2,040	56	Air condition operating suite (including general construction, etc.).
57. Wadsworth, Kans.	2,303	121	Modernize and expand laboratory facilities (including general construction, equipment, and mechanical connections, etc.).
58. Walla Walla, Wash.	421	44	Air condition operating suite (including general construction, explosion-proof fixtures, etc.).
59. White River Junction, Vt.	250	114	General alterations (including air condition operating suite; provide aseptic technique in isolation ward, rearrange space to establish research laboratory, provide adequate office space, expand clothing storage, etc.).
60. Wood, Wis.	3,001	145	Air condition operating suite (including general construction, utilities penthouse, auxiliary lighting, etc.); replace existing makeshift incinerator with new incinerator of adequate capacity.

[1] In addition to the specific items listed thereunder, each project covers any necessary adjustments and related work to permit the altered, improved or repaired facilities to tie in with and function as an integral part of existing plants. Some substitutions of projects may be anticipated as a result of changing conditions during the year. Experience has shown that there will be emergencies and changes in requirements that can neither be forecast nor reasonably estimated in advance. However, before any major alterations, improvements or repairs (nonbed) project is started, it will be subjected to a thorough screening to establish the priority and the fact that it is necessary. Even after all projects in the proposed program are completed, standards of affected hospitals though improved, will still, in most cases, be below those approved for our new hospitals.

[2] Total authorized hospital and domiciliary beds (including standard and emergency beds) as of Dec. 31, 1951.

[3] Indicates project included in supplemental request for $5,500,000.

[4] Material enclosed in brackets under project description indicates work added in supplemental request to that which had been included in original submission.

[5] There will be approximately 300 beds at this station when project (now under construction) for converting this to a general medical hospital is completed.

[6] Indicates project included in original request to which an amount has been added in supplemental request for $5,500,000 as follows (amounts in thousands of dollars):

Project description and item No.	7	15	16	22	25	38	47	49	59	61
Total project request amount	$124	$183	$177	$178	$85	$190	$153	$200	$108	$213
(a) Amount of original request	117	140	100	39	61	124	56	114	81	57
(b) Added in supplemental request	7	43	77	139	24	66	97	86	27	156

METHOD FOR PERFORMING ALTERATIONS AND IMPROVEMENTS

Mr. THOMAS. How will these alteration and improvement jobs be performed? Will they be done by the Veterans' Administration, by the Corps of Engineers, or by competitive bids by contractors generally?

General GRAY. Generally speaking, Mr. Chairman, the work will be done either by contract or purchase and hire by the Veterans' Administration. It is not contemplated that the Corps of Engineers will take care of these projects.

Mr. THOMAS. The Corps of Engineers will not be involved in them?

General GRAY. That is correct, sir.

Mr. THOMAS. What part of them will the Veterans' Administration do and what part will the private contractors do?

General GRAY. I think, Mr. Chairman, I would like to have Colonel Dryden, who has charge of that, indicate the principle and the policy which is that we maintain a staff for the purpose of the design and

formation of projects and in most cases then ask for bids from a sufficient number of contractors as is justified, and then supervise the construction under the Veterans' Administration.

Mr. THOMAS. That makes sense rather than using force labor that you have to keep on the payroll 12 months out of the year.

It would be my observation that you can do these alteration jobs particularly where the cost is about $15,000 or $20,000, about 25 percent cheaper by having private contractors do them.

General GRAY. That is possible, sir.

We have been very fortunate with our contractors. There is only one major difficulty with huge construction programs, and that is the scarcity of certain types of labor in localities occasioned by defense plants and other activities which are capable of working more hours and paying larger take-home pay. That has taken a good many of our technicians away from us and has defeated our real construction program timing, but that is carefully watched and overcome to as great a degree as is possible under the circumstances and taking everything into consideration.

But these particular projects that we are discussing now are those about which I spoke at the closing time of our original hearing in connection with them.

You will remember that I indicated—and correct me, Frank, if I am wrong—that 24 percent of our floor space is in buildings that are of temporary construction or are over 50 years of age.

Mr. DRYDEN. That is right, sir.

General GRAY. And it is absolutely necessary, for safety and sanitation, to replace those with, I will not say too modern—I don't mean it that way—but with satisfactory, safe facilities for our patients and our domiciliary homes.

RENOVATION AND MODERNIZATION PROGRAMS

Mr. THOMAS. The record should be made clear at this point that you are embarking in 1953, on two renovation and modernization programs, one of which—and these items are part of that—involve $9,500,000 for items under $250,000, the other program being for items costing over $250,000, the funds for 1953 request for that program being $15 million.

Further, these two programs combined over the course of the years—and these two figures merely get your two programs started—will run into hundreds of millions of dollars before you get through; is that correct?

General GRAY. That is absolutely correct.

I would like to indicate to you the process that we are following now, and I am sure you will agree with me that it is the only process that can be and should be followed.

The first is normal maintenance and repair. Suppose that somebody knocks that chair over and it can be repaired; that is normal maintenance and repair; but if the chair wears out and you replace it with a stronger chair so that the maintenance thereafter will not be as great, that is part of additions or betterment.

The third general classification is to get a new chair where there is no chair in existence, which is entirely new capital or new investment.

Mr. THOMAS. Yes; we understand your three classifications. Now,

these two programs do not have as their purpose the creation of any additional beds?

General GRAY. No new beds.

Mr. THOMAS. But are to revise, modernize, and replace?

General GRAY. That is correct, sir.

We are embarking upon a schedule of doing that over a period of time.

NUMBER OF BEDS IN INSTALLATIONS TO BE MODERNIZED

Mr. YATES. I think the record should show, Mr. Chairman, the number of beds in the hospitals to which these additions are being made. If they are very small hospitals, I wonder whether it is feasible to embark upon a large construction project.

Mr. THOMAS. Let the record show that Mr. Yates points out the number of existing beds in each one of these 69 installations that you intend to modernize. At this point, again let me repeat that by the expenditure of these funds not an additional bed will be created.

Excuse me, Mr. Yates.

(The above information requested is in the record, following "The justification of revised estimate.")

DIFFERENCE IN ESTIMATES

Mr. YATES. Secondly, why is there such a difference in the estimates between the $4 million originally contemplated and the $9,500,000 you bring in this morning?

General GRAY. There are additional items in the total. The original list was gotten together as to details, and additional time was required to bring forward the other requirements upon which the later figures were prepared.

The first phase of this whole program is based upon safety in reality, and requirements incident primarily to safety. As a result of that, certain additional items were brought to light and it was determined by the Office of the President that we were entitled to and were required and should justify those before you. The additional amount now asked is nothing more nor less than the fulfillment of the minimum requirements which can be gotten under way within the fiscal year.

BRIDGE SPAN AND LEVEES AT BATH, N. Y.

Mr. YATES. Let me refer your attention to item 6 which provides for the construction of a bridge span and levees. Where will those be constructed with relation to the hospital? Is that on a hospital grounds?

General GRAY. Colonel Dryden will answer that specifically for you.

Mr. DRYDEN. That is at Bath, N. Y. The situation there is that our approach to the hospital is over the Cohocton River. We have two methods of approaching this hospital. One is some distance away over a temporary wooden bridge which is maintained temporarily by the county. The other is over a steel bridge which is maintained by the Veterans' Administration.

Mr. YATES. Which bridge——

Mr. DRYDEN. That is the bridge which we propose to enlarge in this project.

General GRAY. The steel bridge.

Mr. YATES. You propose to enlarge the steel bridge?

Mr. DRYDEN. We propose to enlarge the openings to help prevent the flood waters from backing up, flooding the reservation, possibly washing out the bridge abutment. We cannot get supplies into the hospital at the time of extreme high water. This is to enlarge the opening of the bridge which is built connecting the Government property on each side of the river.

Mr. YATES. Does this bridge provide any service to the general public other than to the hospital itself?

Mr. DRYDEN. No, sir.

Mr. YATES. In other words, it will not be used generally by the public?

General GRAY. Did you clearly see the distinction there, Mr. Congressman? Here is an opening. It is not large enough, and when the floodwaters come the opening is blocked and we cannot get our supplies into the hospital because the other bridge is not strong enough to carry the load of trucks and supplies.

MULTICHANNEL RADIO

Mr. YATES. Referring to item 5, what is meant by "provide multichannel radio, including altering space for studio and control rooms"?

Mr. DRYDEN. In our hospitals, as a part of the medical treatment, we have a radio system which is controlled from a control booth located in a central point. From that they are able to radiate these therapeutic programs to the patients. There are four channels from which they may, from a medical point of view, direct the proper program to the various classes of patients.

Mr. YATES. Are you going to have a broadcasting studio within the hospital?

Mr. DRYDEN. It is for reception. What they also do, Mr. Congressman, is have a patients' program, where patients participate and broadcast same within the hospital. But the four channels are for reception from without.

STATUS OF PLANS AND AMOUNT NEEDED TO COMPLETE PROJECTS

Mr. YATES. How far have the plans proceeded on these projects?

Mr. DRYDEN. They are in the preliminary stage. We have gotten the functional lay-outs and the requirements so as to indicate the entire scope of the project and the estimated costs. The final plans have not been developed.

Mr. YATES. Do you believe that this will be the total amount of money that will be required for all of these projects, or is it possible that you may need more money to complete them?

Mr. DRYDEN. For these individual projects?

Mr. YATES. For the 69 that are listed in the justifications.

Mr. DRYDEN. That is the total amount of money that is required.

General GRAY. As was indicated by the chairman a moment ago, this is the beginning of this program, and, on the basis of the condition of our facilities, some 24 percent require these additions and betterments and improvements extending over a number of years.

This is the first bite at it and was restricted.

Mr. YATES. What you had in mind by your statement, I assume, is the fact that these are a part of the total program?

General GRAY. That is correct, sir.

Mr. YATES. My question was directed as to whether additional funds for this particular group will be required.

General GRAY. These funds are only for these projects, and no more money will be required to carry out these projects.

Mr. YATES. The reason for my question was because of the difference between the $4,000,000 and the $9,500,000. I was wondering whether at a later date you would be coming in and requesting additional funds for further expansions.

General GRAY. That is the total for this fiscal year, sir. And I may say, with all candor to you, sir, that it was promulgated on the basis of two facts: that of taking care of the safety items and requirements first, and to ask for as much money as we could program and carry out and fulfill.

IMPROVE AND EXPAND X-RAY AND DENTAL FACILITIES AT CORAL GABLES, FLA.

Mr. YATES. Take item 19, which states, "Improve and expand X-ray and dental facilities; provide and equip central sterile supply." There you request $148,000. Is that not a rather expensive project?

Mr. DRYDEN. No, sir. That item is at Coral Gables. Coral Gables was a fashionable hotel taken over by the Army during World War II, and we, in turn, took that property over from them and are operating it as a 450-bed hospital. The facilities that were provided at the time by the Army do not meet our requirements in either type of space or facilities.

General GRAY. As an illustration, we have some pictures, Mr. Congressman, showing patients sitting in the hall in wheel chairs waiting to get into the dental clinic. It is that kind of thing that we are trying to correct.

It is a difficult thing to take a hotel and try to make a hospital out of it, as is illustrated right here in the city with Mount Alto, which is a girls' school.

Mr. YATES. It would have been cheaper to have built one; would it not?

General GRAY. Yes, sir; it would.

These are some of the difficulties that we have been laboring under for years, and we are trying to piecemeal it out and take care of them so that service to the veterans, as far as medical care is concerned, and future maintenance and hospital expenses will be lessened by virtue of these expenditures at this time.

MODERNIZE AND EXPAND LABORATORY FACILITIES AT WADSWORTH, KANS.

Mr. YATES. Take item No. 66, at Wadsworth, Kans., which states, "modernize and expand laboratory facilities, including general construction, equipment and mechanical connections, and so forth," where you are to spend $121,000. What do you propose to do there?

General GRAY. Let me say about Wadsworth that that is a temporary facility and that it is one of our greatest neuropsychiatric centers at

which we are training more psychiatrists by virtue of the Menninger Clinic at that locality——

Mr. YATES. Is the Menninger Clinic at Wadsworth?

General GRAY. I beg your pardon. I am thinking of Topeka.

Mr. DRYDEN. Mr. Chairman, the hospital at Wadsworth is a very large installation. It has 1,082 general medical beds and 1,005 domiciliary beds.

Mr. YATES. Is that a general hospital?

Mr. DRYDEN. Yes; it has a general hospital and has domiciliary facilities attached. Both require certain medical care, but the concerted treatment, of course, is required in the 1,100-bed general medical hospital. This project is to enlarge the clinical laboratories and to put in the essential facilities that are required to properly care for those patients.

Mr. YATES. Such as what? You have $121,000 here that you are going to spend.

Mr. DRYDEN. Just as a matter of interest, this hospital was erected in 1904. It is one of the antiquated hospitals.

May I just read the items?

Mr. YATES. Surely. That is what I want you to do.

Mr. DRYDEN (reading):

The existing clinical laboratory is located in 1,928 square feet of space on the third floor of Building No. 88. Chemistry, serology, bacteriology, and parasitology are at present all housed in one large room with 12 technicians working in this space. During the morning hours patients come in for bleeding, for gastric analysis, kidney-function studies, glucose-tolerance tests, throat and blood cultures. The resulting confusion and congestion badly affect the efficient operations. Also in the bacteriology portion they are usually working with highly infectious material, such as tuberculosis cultures and sputum specimens and at times with brucellosis and tularemia cultures. In the crowded conditions it is absolutely impossible to establish proper safeguards. This not only involves danger to the entire laboratory personnel but to hundreds of patients who pass through this laboratory every week. There is no additional space available on the third floor within this building, however, additional space can be provided on the third floor of Building No. 89 which is connected to Building No. 88 by a short inclosed corridor. The approved bed allocation of the ward on the third floor of Building No. 89 is 23 beds; however, only 16 beds are in use. A survey of the wards in Buildings Nos. 90 and 91 revealed sufficient space to relocate these 16 beds. Utilization of the space results in the loss of 7 beds.

It is intended, under this project, to utilize all the area on the third floor of Building No. 89 in conjunction with the present space in Building No. 88 as a clinical laboratory. A minimum of partition changes will be made; however, considerable equipment will be required for the laboratory as planned. It will be necessary to provide utilities for the various laboratory rooms.

It is essential that these additional clinical-laboratory facilities be provided in order to provide adequate facilities for efficient operation of this function in a hospital of this size.

Mr. YATES. How many patients did Wadsworth take care of last year, for example?

You said it was about a 1,100-bed hospital. How many patients did it take care of?

General GRAY. I will insert that information in the record, Mr. Congressman, and give you the exact receipts, the daily patient load, and the discharges, which would give the total number of patients carried in that hospital.

(The information referred to is as follows:)

Wadsworth, Kans.

1. Number of patients and domiciliary members on July 1, 1950	1,810
2. Number of patients and domiciliary members June 30, 1951	1,820
3. Average daily patient and domiciliary-member load for the year	1,892
4. Number of admissions for the year	11,301
5. Number of discharges	11,291
6. Number of patients and domiciliary members served during year	13,111

MEDICAL STAFFS AT INSTALLATIONS

Mr. YATES. Do you have a sufficient number of doctors at each of these installations to take care of the present demands?

General GRAY. I will answer that question by saying that we are fortunate in having a reasonable staff. At very few of our installations do we have or are we capable of securing the complete staff that we feel is necessary. But we are rendering, with a certainly reduced staff over that which we feel is best and necessary, a very adequate and first-class medical service to these patients.

Mr. YATES. Do you have sufficient nurses at each of these installations to take care of the needs of these patients?

General GRAY. Yes, sir.

Mr. YATES. Under present conditions?

General GRAY. That is correct, sir.

Mr. YATES. All right. With these installations, will there be a necessity for having additional personnel to take care of the facilities?

General GRAY. That is not contemplated in this set-up, sir. This is simply to provide facilities for existing authorized personnel to adequately work and care for patients.

Mr. YATES. Is there any portion of these installations that is now closed?

General GRAY. Do you mean closed per se? I mean completely closed and not operating.

Mr. YATES. Are any portions of the floors closed down where some of the beds are not being used, or anything like that?

General GRAY. That is a rather difficult question to answer except as to a specific instance.

Mr. YATES. That is correct. You have 69 instances here. I am asking with respect to the 69 whether any portion of these installations is not now being used or any portion of them is closed down.

General GRAY. Do you mean closed down from the standpoint of——

Mr. YATES. From lack of help or lack of patients.

General GRAY. I would say no.

Mr. YATES. Do you know that definitely?

General GRAY. I do. It is my best judgment and belief, and I am reasonably well acquainted with the situation.

Mr. YATES. That is all, Mr. Chairman.

Mr. PHILLIPS. It is not quite clear to me why you have come in so quickly for $5,500,000 more; why did you not have this up here with the regular request?

General GRAY. Well, to be perfectly honest with you, Mr. Phillips, I sold it over again.

Mr. PHILLIPS. I guess that is a good answer.

Referring to item 7, are you responsible for your own cemeteries?

General GRAY. Yes, sir.

Mr. PHILLIPS. The Army is not responsible for your cemeteries?

General GRAY. No, sir. The VA cemeteries are a part of the old domiciliary homes, and they are our facilities and our expense and our care and our interment.

Mr. PHILLIPS. Of course, they are confined to veterans, but are they confined to veterans who have at some time or other received service from the hospital?

General GRAY. Not necessarily so at all. A VA cemetery in connection with one of our domiciliary homes is unlike any other national cemetery. Any veteran who dies while receiving treatment at the respective facility can be buried there.

Mr. PHILLIPS. Who takes care of the national cemeteries that are not connected with the Veterans' Administration?

General GRAY. The Grave Registration Branch, as I remember it, sir, of the Armed Forces.

Mr. PHILLIPS. That is the responsibility of the Quartermaster Corps?

General GRAY. An illustration I happen to remember because I was a speaker at the memorial services is the cemetery at Dayton, where I spoke last year. There we have 16,700 graves in connection with our hospital at Dayton.

Mr. PHILLIPS. It just seems to me that this is a rather complicated system. We have the Quartermaster Corps handling some graves, the Veterans' Administration handling some, and then in the case of the cemeteries abroad, the Quartermaster Corps is responsible for them up to a certain time at which point the American Battle Monuments organization takes them over.

I notice on page 8, item 61, that you are to modernize and rehabilitate seven diet kitchens in the hospital at Tucson, Ariz. How old is that hospital?

General GRAY. Mr. Dryden will give you the answer.

Mr. PHILLIPS. It is a fairly recent hospital. I come by there driving through Tucson, and it appears to me to be a very modern building.

Mr. DRYDEN. It was built in 1928 and 1931.

Mr. PHILLIPS. I would not have said that it was that old. Have you more than one hospital at Tucson?

Mr. DRYDEN. No, sir.

Mr. PHILLIPS. Referring to item No. 37, the statement that you are providing general alterations and improvements in the recreation building, including toilet facilities, projection booth, stage porches, paraplegics' wheel-chair ramps, and so forth, at your hospital at Long Beach, Calif., reminds me of the fact that just about the time that you came down here for your regular request a group of paraplegics was down here playing basketball. They raised a point which I thought was pretty good. They said that they had had a place for training over at Birmingham and then they had been moved down to Long Beach, which I never thought was such a good idea. Now they have no place to practice, and they have an application in, apparently, for a Quonset hut or something like that so that they can get the necessary exercise and practice.

Now, they were supported by some rather good statements of the value of that kind of exercise and athletics. What is the situation?

Mr. DRYDEN. We have been able to take care of the requirements of our paraplegic patients. The major portion of this particular project is for improvements to the recreational facilities. However, this project does not provide a place for indoor basketball practice. I understand that the group of paraplegics who visited Washington recently were not, at that time, VA patients.

Mr. PHILLIPS. I understand, but can you say in simple language whether you have been able to take care of the requirements of the paraplegics? Have you built them a place to practice basketball?

Mr. DRYDEN. Yes, sir; we have provided outdoor facilities.

Mr. PHILLIPS. All right. They said that you had not built facilities for them up to the time they were here which was about a month ago and that your hesitation was due to the fact that the VA felt it could not put spectators into the building. They were asking for a place to practice themselves and not a place to bring spectators in.

Have you done that for them now?

Mr. DRYDEN. Well, this project is to provide recreational facilities for our own patients.

Mr. PHILLIPS. You would have had to do it within the last 30 days.

Mr. DRYDEN. This project here is the alteration of the recreation building so we can use it.

Mr. PHILLIPS. Now, wait a minute. The recreation building is presently being used as an auditorium, and the chairs are screwed down to the floor. They need that space for the auditorium. If you move the people out of there, what are you going to do? You will have to build a new auditorium which will be more expensive than giving them a Quonset hut.

Mr. DRYDEN. The auditorium at this hospital is located on the second floor of the main building.

Mr. PHILLIPS. That is the auditorium?

Mr. DRYDEN. That is right.

Mr. PHILLIPS. You are using that now for something else, and it would be more expensive for you to replace that than it would to build, for the paraplegics and the other people who want to play, a Quonset hut gymnasium.

Mr. DRYDEN. As far as I know, we are meeting the need by this project of improving this recreation building which is on the first floor. There are no elevators involved, and they can get to it and carry on recreational activities in this building.

Mr. COTTON. I have just one point, General Gray, which I, for myself, consider unnecessary to raise, but for the benefit of the record I would like to have a statement on it from you.

In this program of rehabilitation and expanding of facilities, is there any likelihood or possibility that some of these hospitals, perhaps those that have been taken over from the military and perhaps some of the older ones, after you have spent this money and expanded the facilities and have made them more useful, before many years will be discontinued and you will build a whole new hospital?

General GRAY. There is a definite plan, Mr. Congressman, with respect to so-called replacement hospitals; and in our construction programs there are some that contemplate the abandonment of an

existing facility. In none of these facilities is there any of the additions and betterments and improvements contemplated on a hospital that is involved in any plan for abandonment at all.

Mr. COTTON. For instance, Coral Gables was mentioned as one that had been a hotel and had been taken over by the military?

General GRAY. We have no plan or contemplated expectancy of abandoning that as a hospital, sir.

Mr. PHILLIPS. If I may interupt, I have one question for Colonel Dryden.

Have you separated the cost of this $9,500,000 as between repairs to buildings and replacements or change in equipment?

Mr. DRYDEN. No, sir.

Mr. PHILLIPS. Then, have you an idea of what our total investment is in the buildings to which you are applying the items of repairs or changes in the buildings?

You can put that in the record, if you want to.

Mr. DRYDEN. The estimated replacement value of the buildings at the 60 stations for which these projects are requested is approximately $875,000,000.

General GRAY. In other words, we have, Mr. Phillips, a statement of the net sound worth of the buildings, the amount of space, the value of it, the cost, and the depreciated value, and the net sound value of the facilities as they are now.

Mr. PHILLIPS. What I have in mind, General Gray, is this: Have you ever attempted to keep a record, as an ordinary property owner would, of the amount that you have to put into the repairs of the buildings as compared with their value, to see what it costs proportionately to handle the hospitals?

General GRAY. Yes. When in our opinion and based on our experience the replacement of a building rather than an additional betterment to the existing building is advisable, we will come to you with a recommendation for a replacement.

As an illustration, last time I indicated to you that we have a number of wooden file cabinets. Now, when we come back for replacements of those, of those wooden file cabinets, we will ask for steel cabinets. There is a little additional cost, but, by the same token, the maintenance and life of the steel cabinets is longer than a replacement in wood.

Mr. YATES. You have 69 substantial improvements here. What is your total program?

General GRAY. We have not been able to break that down to dollars and cents as yet, but I would say that it would be six times that.

Mr. DRYDEN. Many times that.

General GRAY. At least 6 to 10 times this.

Mr. YATES. How many different places would be involved?

General GRAY. Well, there will be, when we finish, 174 hospitals. That is our authorized hospital operation, 174 hospitals containing 131,031 beds.

Mr. THOMAS. Before we go into the 1952 program, I think it would be well for it to be shown in the record at this time what the committee's thinking is on your betterment programs, the one involving items over $250,000 and the other one, items under that amount.

We will write a limitation in the 1953 bill to the effect that the funds appropriated for both programs cannot be used except to complete each project as started.

Secondly, we will write a limitation into the bill to the effect that no part of the funds shall be used on any particular project if it is within the contemplation of the Veterans' Administration to abandon that particular facility any time within the near future.

Mr. DRYDEN. May I make one remark?

Mr. THOMAS. Yes.

Mr. DRYDEN. Mr. Chairman, I would like to call your attention to the fact that in this program as presented there are various safety measures.

Mr. THOMAS. Do you have any objection to those two limitations which I have just mentioned?

Mr. DRYDEN. I think it would be unwise to limit us in making expenditures at hospitals where we feel that it is necessary to take safety measures immediately.

Mr. THOMAS. I said if you were going to abandon them in the near future.

General GRAY. The chairman said two things, if I understood your statement correctly, sir. The first is that it is the feeling of the committee that if this money is authorized for Veterans' Administration, it must be carried out within the total amount for the program as indicated to you in our presentation.

Mr. THOMAS. That is correct.

General GRAY. Secondly, that we are to spend no money on any building for which abandonment is contemplated anytime in the near future.

Mr. THOMAS. That is right.

General GRAY. I accept that.

THURSDAY, FEBRUARY 14, 1952.

TENNESSEE VALLEY AUTHORITY

WITNESSES

GORDON R. CLAPP, CHAIRMAN
HARRY A. CURTIS, DIRECTOR
JOHN OLIVER, GENERAL MANAGER
G. O. WESSENAUER, MANAGER OF POWER
R. A. KAMPMEIER, ASSISTANT MANAGER OF POWER
C. E. BLEE, CHIEF ENGINEER
JOSEPH C. SWIDLER, GENERAL COUNSEL
CHARLES H. YOUNG, DIRECTOR, DIVISION OF CHEMICAL ENGINEERING
JOHN H. CLARK, BUDGET OFFICER
MARGUERITE OWEN, WASHINGTON REPRESENTATIVE

BUDGETARY AUTHORIZATION SCHEDULES

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$194,714,000	$238,389,600	$200,027,000
Prior year balance available	2,730,431		
Total obligations	197,444,431	238,389,600	200,027,000

Obligations by activities

Investments and loans to Government corporations:

1951	$197,444,431
1952	238,389,600
1953	200,027,000

Obligations by objects

16 Investments and loans:

1951	$197,444,431
1952	238,389,600
1953	200,027,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$33,674,127		
Obligations incurred during year	197,444,431	$238,389,600	$200,027,000
Total expenditures (invested in revolving fund)	231,118,558	238,389,600	200,027,000
Expenditures are distributed as follows:			
Out of current authorizations	231,118,558	238,389,600	200,027,000
Out of prior authorizations			

Consolidated amounts available for obligation in the Corporation checking account "on and after" June 30, 1951

	1951 actual	1952 estimate	1953 estimate
Income:			
Transferred from general fund appropriation account	$197,444,431	$238,389,600	$200,027,000
Corporate income	92,071,004	131,200,000	146,993,000
Prior year balance available	21,272,499	37,713,567	36,688,251
Total available for obligation	310,787,934	407,303,167	383,708,251
Retirement of borrowings	−5,000,000	−5,000,000	−5,000,000
Repayment of investment	−4,000,000	−9,047,125	−14,457,000
Balance available in subsequent years, and (or) reserve for contingencies	−37,713,567	−36,688,251	−35,146,251
Total obligations	264,074,367	356,567,791	329,105,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
ACTIVITIES FINANCED FROM APPROPRIATED FUNDS (TRANSFERS FROM THE GENERAL FUND)			
Acquisition of assets			
Navigation, flood control, and power program:			
Projects contributing to power supply:			
South Holston	$1,568,928	$290,000	
Watauga	215,993		
Boone	9,906,564	13,568,000	$3,716,000
Fort Patrick Henry	560,039	4,839,000	6,958,000
Additional hydro generating units	15,024,938	16,498,000	9,726,000
Johnsonville steam plant	40,898,122	27,635,000	4,985,000
Widows Creek steam plant	24,674,023	46,559,000	21,541,000
Kingston steam plant	20,809,465	38,034,000	38,267,000
Shawnee steam plant	38,639,306	34,747,000	42,793,000
Colbert steam plant		15,931,000	40,112,000
Total projects contributing to power supply	152,297,378	198,101,000	168,098,000
Transmission system facilities	29,221,883	26,973,000	18,224,000
Power service building	1,035,799	555,000	
Additions and improvements at completed projects	368,564	711,000	1,026,000
Navigation facilities	327,733	198,000	294,000
Investigations for future projects	164,130	507,000	324,000
Distribution of administrative and general expenses	1,553,108	1,364,000	1,405,000
Total navigation, flood control, and power program	184,968,595	228,409,000	189,371,000
Fertilizer and munitions program:			
Chemical facilities	3,339,588	1,666,000	1,477,000
Distribution of administrative and general expenses	70,647	56,000	54,000
Total fertilizer and munitions program	3,410,235	1,722,000	1,531,000
General service activities:			
General facilities	2,675,441	1,761,791	1,537,000
Distribution of administrative and general expenses	13,743	13,000	11,000
Total general service activities	2,689,184	1,774,791	1,548,000
Total acquisition of assets	191,068,014	231,905,791	192,450,000
Expenses			
Navigation, flood control, and power program:			
Navigation operations	288,399	359,000	354,000
Flood control operations	47,228	79,000	77,000
Multipurpose reservoir operations		2,050,000	2,091,000
Distribution of administrative and general expenses	22,361	171,000	168,000
Total navigation, flood control, and power program	357,988	2,659,000	2,690,000
Fertilizer and munitions program:			
Fertilizer and munitions development	1,018,258	2,105,000	2,317,000
Distribution of administrative and general expenses	35,113	103,000	113,000
Total fertilizer and munitions program	1,053,371	2,208,000	2,430,000
Resource development program:			
Resource development activities	3,937,433	2,106,000	2,239,000
Distribution of administrative and general expenses	237,962	208,000	216,000
Total resource development program	4,175,395	2,314,000	2,455,000
General service activities:			
Maintenance of bridges financed by others on TVA dams	109	1,000	2,000
Total expenses	5,586,863	7,182,000	7,577,000
Changes in working capital			
Inventories and property transfers	−60,637	152,000	
Total activities financed from appropriated funds	196,594,240	239,239,791	200,027,000

Obligations by activities—Continued

Description	1951 actual	1952 estimate	1953 estimate
ACTIVITIES FINANCED FROM CORPORATE FUNDS			
Acquisition of assets			
Navigation, flood control, and power program:			
Projects contributing to power supply:			
South Holston	$588,712		
Boone	12,735	$219,000	$60,000
Fort Patrick Henry		10,000	180,000
Johnsonville steam plant	135,826	140,000	79,000
Widows Creek steam plant	11,011	15,000	15,000
Kingston steam plant	760	18,000	25,000
Shawnee steam plant	34,986	169,000	186,000
Total projects contributing to power supply	774,030	571,000	545,000
Transmission system facilities	13,693,630	29,572,000	31,176,000
Additions and improvements at completed projects	204,718	84,000	14,000
Distribution of administrative and general expenses	369,619	237,000	286,000
Total acquisition of assets	15,041,997	30,464,000	32,021,000
Expenses			
Navigation, flood control, and power program:			
Power operations	29,943,277	56,041,000	63,325,000
Multipurpose reservoir operations	3,469,847	1,557,000	1,548,000
Distribution of administrative and general expenses	1,295,841	1,114,000	1,174,000
Total navigation, flood control, and power program	34,708,965	58,712,000	66,047,000
Fertilizer and munitions program:			
Fertilizer and munitions development	14,145,412	15,405,000	15,352,000
Distribution of administrative and general expenses	513,397	478,000	497,000
Total fertilizer and munitions program	14,658,809	15,883,000	15,849,000
Resource development program:			
Resource development activities	259,668	25,000	26,000
General service activities:			
Reimbursable services	2,210,995	9,714,000	8,564,000
Distribution of administrative and general expenses	34,313	110,000	162,000
Total general service activities	2,245,308	9,824,000	8,726,000
Total expenses	51,872,750	84,444,000	90,648,000
Changes in Working Capital			
Inventories	565,380	2,420,000	6,409,000
Total activities financed from corporate funds	67,480,127	117,328,000	129,078,000
Total obligations	264,074,367	356,567,791	329,105,000
Deduct:			
Change in unliquidated obligations	83,147,906	32,248,400	
Change in inventories and property transfers	504,743	2,572,000	6,409,000
Add change in unliquidated obligations			24,888,000
Total accrued expenditures	180,421,718	321,747,391	347,584,000

Mr. GORE. The committee will please come to order. The committee is pleased to have with us this morning Mr. Gordon Clapp, Chairman of TVA; Dr. Harry Curtis, Director; Mr. John Oliver, General Manager; Mr. G. O. Wessenauer, Manager of Power; Mr. R. A. Kampmeier, Assistant Manager of Power; Mr. C. E. Blee, Chief Engineer; Mrs. Joseph C. Swidler, General Counsel; Mr. Charles H. Young, Director, Division of Chemical Engineering; Mr. John H. Clark, Budget Officer, and Miss Marguerite Owen, Washington Representative.

Mr. Clapp, we welcome you, indeed. Since you have been an a sojourn to the balmy sands and the flowing breezes of Florida you are looking well. We are happy that you are back on the job.

Mr. CLAPP. I am glad to be back, Mr. Chairman.

Mr. GORE. That was not a commercial for Florida. It would have done just as well if you had gone to California. You have a general statement, we hope, Mr. Clapp.

GENERAL STATEMENT

Mr. CLAPP. I should like to make a general statement, Mr. Chairman.

This appropriation request that we are appearing to justify before this committee is $200,027,000 for the fiscal year 1953. It is not the biggest appropriation request that TVA has appeared for. It is, however, in our program, a large one.

The bulk of this estimate is, as has been the case for several years, for continuing the construction of projects now under way, and for providing some new power installations at projects which are already under way.

Electric power is still the big item that the TVA is contributing to the region and to the strength of the country, and the power situation generally is very tight.

Of this $200,000,000 more than $186,000,000 would be devoted to the construction of facilities related to power. That leaves relatively small amounts for the remainder of the TVA's program.

The acquisition of other assets or the addition of other capital items accounts for $6,128,000, and the expenses of annual programs financed out of appropriations calls for $7,500,000, making the total of $200,027,000 requested.

SCOPE OF POWER-FACILITIES PROGRAM

I am going to summarize very briefly the scope of the power-facilities program that will be covered by this new appropriation and, then, with the committee's indulgence, I would like in my general statement to spend more time than I usually do on the nonpower aspects of the program, even though they involve considerably less money. Then Mr. Wessenauer, our manager of power, and Mr. Kampmeier, our assistant manager of power, and myself will lay out the power requirement program in greater detail, as I finish my general statement.

Projects now under construction from funds which have been already appropriated—projects already discussed, or treated by this committee—will increase the installed capacity of the TVA system from 3,181,000 kilowatts that we had in June of this last year, 1951, to some 6,735,000 kilowatts by the fall of 1954.

That, as you see, more than doubles the TVA power system and its sources of power, including the Alcoa hydroelectric power projects which are operated in collaboration with the TVA and the Army projects on the Cumberland River which supply power to the TVA system.

Our forecast of the power requirements for 1954 show that we will be awfully tight, if not a little bit short, even with this present program, in the winter and fall of 1954.

This budget proposed for 1953, of course, has to look forward still another year to 1955.

In view of the time it takes to build and install power facilities, by 1955—the year that this budget aims at—we forecast that we will be short on the basis of the present program by some 900,000 kilowatts.

Therefore, this budget proposes additional power facilities to the extent of 1,341,000 kilowatts of installed capacity providing an income in assured capacity of about 1,300,000 kilowatts.

This would be accomplished by adding steam units in steam plants which are now under construction and in adding some hydro units in hydro projects which are already completed.

As I said a moment ago, we want to lay out the details of that very completely and the basis for our power requirement forecasts, but in the few moments intervening I would like to bring the committee up to date on the rest of the TVA program. We have appeared before this committee very many times in recent years——

Mr. GORE. You are about to get to the other part of the program now?

Mr. CLAPP. Yes, sir.

Mr. GORE. Before going to the resource development and the over-all program of integrated valley development I would like to insert in the record, following your summary remarks on the power program, pages 5 through 37 of the justifications.

(The matter referred to is as follows:)

INTRODUCTION

This statement supplements and supports the narrative statement and standard exhibits included in the budget of the United States, 1953. The supporting schedules for the several programs prepared for the printed budget are repeated herein, and justification materials are keyed to these exhibits.

APPROPRIATED FUNDS

TVA is requesting an appropriation of $200,027,000 for 1953. The projects and programs for which these funds are required are summarized on pages 6 and 7.

Of the total appropriation request, $192,450,000 is for plant additions, over 97 percent of which relate to the provision of power supply essential for national defense and civilian requirements. Other plant additions include improvements at completed projects, navigation facilities, chemical facilities, general facilities, and investigations for future projects.

Appropration financed operating expenses are estimated at $7,577,000 in 1953, compared with requirements of $7,182,000 in the current year. These figures cover navigation and flood control operations including the allocated portions of reservoir operating costs; fertilizer and munitions development; resource development activities; and the portion of administrative and general expenses estimated to be chargeable against these programs.

CORPORATE FUNDS

The corporate fund budget for 1953, summarized on pages 8 and 9, provides for expenditures of $122,669,000. Capital additions will require $32,021,000; and expenses of operating programs and reimbursable services for other agencies, $90,648,000.

Income for fiscal year 1953 is estimated at $146,993,000 to be derived as follows: Power operations, $115,920,000; sale of fertilizer and munitions products, $20,804,000; reimbursable services for other agencies, $8,726,000; and incidental income from other programs and realization of assets, $1,543,000.

Retirement of bonds and payments to the United States Treasury totaling $19,457,000 are budgeted for 1953.

Summary of appropriation financed budget (for fiscal years ending June 30, 1951, 1952, and 1953)

Appropriation financed obligations	1951 actual	1952 estimate	1953 estimate
ACQUISITION OF ASSETS			
Navigation, flood control, and power program:			
Projects contributing to power supply:			
South Holston	$1,568,928	$290,000	
Watauga	215,993		
Boone	9,906,564	13,568,000	$3,716,000
Fort Patrick Henry	560,039	4,839,000	6,958,000
Additional hydro-generating units	15,024,938	16,498,000	9,726,000
Johnsonville steam plant	40,898,122	27,635,000	4,985,000
Widows Creek steam plant	24,674,023	46,559,000	21,541,000
Kingston steam plant	20,809,465	38,034,000	38,267,000
Shawnee steam plant	38,639,306	34,747,000	42,793,000
Colbert steam plant		15,931,000	40,112,000
Total projects contributing to power supply	152,297,378	198,101,000	168,098,000
Transmission system facilities	29,221,883	26,973,000	18,224,000
Power service building	1,035,799	555,000	
Additions and improvements at completed projects	368,564	711,000	1,026,000
Navigation facilities	327,733	198,000	294,000
Investigations for future projects	164,130	507,000	324,000
Distribution of administrative and general expenses	1,553,108	1,364,000	1,405,000
Total navigation, flood control, and power program	184,968,595	228,409,000	189,371,000
Fertilizer and munitions program:			
Chemical facilities	3,339,588	1,666,000	1,477,000
Distribution of administrative and general expenses	70,647	56,000	54,000
Total fertilizer and munitions program	3,410,235	1,722,000	1,531,000
General service activities:			
General facilities	2,675,441	1,761,791	1,537,000
Distribution of administrative and general expenses	13,743	13,000	11,000
Total general service program	2,689,184	1,774,791	1,548,000
Total acquisition of assets, appropriation financed	191,068,014	231,905,791	192,450,000
EXPENSES			
Navigation, flood control, and power program:			
Navigation operations	288,399	359,000	354,000
Flood control operations	47,228	79,000	77,000
Multipurpose reservoir operations		2,050,000	2,091,000
Distribution of administrative and general expenses	22,361	171,000	168,000
Total navigation, flood control, and power program	357,988	2,659,000	2,690,000
Fertilizer and munitions program:			
Fertilizer and munitions development	1,018,258	2,105,000	2,317,000
Distribution of administrative and general expenses	35,113	103,000	113,000
Total fertilizer and munitions program	1,053,371	2,208,000	2,430,000
Resource-development program:			
Resource-development activities	3,937,433	2,106,000	2,239,000
Distribution of administrative and general expenses	237,962	208,000	216,000
Total resource-development program	4,175,395	2,314,000	2,455,000
General service activities: Maintenance of bridges financed by others on TVA dams	109	1,000	2,000
Total expenses, appropriation financed	5,586,863	7,182,000	7,577,000
CHANGES IN WORKING CAPITAL			
Inventories and property transfers	−60,637	152,000	
Total appropriation, financed budget	196,594,240	239,239,791	200,027,000
SOURCES OF APPROPRIATED FUNDS			
Appropriation	194,714,000	238,389,600	200,027,000
Unobligated balance from prior year	2,730,431	850,191	
Unobligated balance carried forward to subsequent year	−850,191		
Total appropriated funds	196,594,240	239,239,791	200,027,000

Summary of corporate financed budget (for fiscal years ending June 30, 1951, 1952, and 1953)

Corporate financed obligations	1951 actual	1952 estimate	1953 estimate
ACQUISITION OF ASSETS			
Navigation, flood control, and power program:			
Projects contributing to power supply:			
South Holston	$588,712		
Boone	12,735	$219,000	$60,000
Fort Patrick Henry		10,000	180,000
Johnsonville steam plant	135,826	140,000	79,000
Widows Creek steam plant	11,011	15,000	15,000
Kingston steam plant	760	18,000	25,000
Shawnee steam plant	24,986	169,000	186,000
Total projects contributing to power supply	774,030	571,000	545,000
Transmission system facilities	13,693,630	29,572,000	31,176,000
Additions and improvements at completed projects	204,718	84,000	14,000
Distribution of administrative and general expenses	369,619	237,000	286,000
Total acquisition of assets, corporate financed	15,041,997	30,464,000	32,021,000
EXPENSES			
Navigation, flood control, and power program:			
Power operations	29,943,277	56,041,000	63,325,000
Multipurpose reservoir operations	3,469,847	1,557,000	1,548,000
Distribution of administrative and general expenses	1,295,841	1,114,000	1,174,000
Total navigation, flood control, and power program	34,708,965	58,712,000	66,047,000
Fertilizer and munitions program:			
Fertilizer and munitions development	14,145,412	15,405,000	15,352,000
Distribution of administrative and general expenses	513,397	478,000	497,000
Total fertilizer and munitions program	14,658,809	15,883,000	15,849,000
Resource development program: Resource development activities	259,668	25,000	26,000
General service activities:			
Reimbursable services	2,210,995	9,714,000	8,564,000
Distribution of administrative and general expenses	34,313	110,000	162,000
Total general service program	2,245,308	9,824,000	8,726,000
Total expenses, corporate financed	51,872,750	84,444,000	90,648,000
CHANGES IN WORKING CAPITAL			
Inventories	565,380	2,420,000	6,409,000
Total corporate financed obligations	67,480,127	117,328,000	129,078,000
REPAYMENTS			
Payments to United States Treasury:			
Retirement of bonds	5,000,000	5,000,000	5,000,000
Repayment of appropriation investment in the power program	4,000,000	5,000,000	9,000,000
Repayment of miscellaneous nonpower proceeds		4,047,125	5,457,000
Total payments to United States Treasury	9,000,000	14,047,125	19,457,000
Total corporate financed budget	76,480,127	131,375,125	148,535,000

Summary of corporate financed budget (for fiscal years ending June 30, 1951, 1952, and 1953)—Continued

Corporate financed obligations	1951 actual	1952 estimate	1953 estimate
SOURCES OF CORPORATE FUNDS CURRENT INCOME			
Navigation, flood control, and power program:			
Navigation operations	$41,267	$63,000	$67,000
Power operations	69,773,345	98,889,000	115,920,000
Multipurpose reservoir operations	222,582	167,000	148,000
Total program	70,037,194	99,119,000	116,135,000
Fertilizer and munitions program: Fertilizer and munitions development	16,955,363	20,255,000	20,804,000
Resource development program: Resource development activities	323,846	66,000	63,000
General service activities: Reimbursable services	2,245,308	9,824,000	8,726,000
Miscellaneous:			
Sale of retired plant and other miscellaneous receipts	2,509,293	1,936,000	1,265,000
Total current income	92,071,004	131,200,000	146,993,000
DECREASES IN RESERVES			
Power proceeds	−15,303,927	1,374,000	1,750,000
Nonpower proceeds	−286,950	−1,198,875	−208,000
Total decreases in reserves	−15,590,877	175,125	1,542,000
Total current income and decreases in reserves	76,480,127	131,375,125	148,535,000

Data on selected major projects

	Rated capacity, kilowatts	Scheduled service dates	Fiscal year construction started	Direct obligations				Administrative and general expenses, total project	Estimated total cost
				Actual to June 30, 1951	Estimated fiscal year 1952	Estimated fiscal year 1953	Balance to complete		
Projects contributing to power supply:									
Boone, 3 units	75,000	December 1952; March, June 1953.	1951	$10,208,691	$13,568,000	$3,716,000	$107,309	$400,000	$28,000,000
Fort Patrick Henry, 2 units	36,000	November 1953; January 1954	1951	908,816	4,839,000	6,958,000	2,144,184	150,000	15,000,00
Johnsonville steam plant, 6 units	675,000	October, November 1951; February, April, November 1952; January 1953.	1949	62,080,018	27,635,000	4,985,000	2,224,982	1,075,000	98,000,000
Widows Creek steam plant, 6 units	675,000	June, August, October, November 1952; March, May 1954.	1950	29,377,934	46,559,000	21,541,000	4,912,066	610,000	103,000,000
Kingston steam plant, 6 units	900,000	May, July, September, November 1953; September, November 1955.	1951	20,809,398	38,034,000	38,267,000	37,879,602	1,010,000	136,000,000
Shawnee steam plant, 8 units	1,080,000	December 1952; January, March, May 1953; April, June, August, October 1955.	1951	38,636,006	34,747,000	42,793,000	51,123,994	1,200,000	168,500,000
Colbert steam plant, 4 units	720,000	September, November 1954; March, May 1955.	1952	----------	15,931,000	40,112,000	53,757,000	700,000	110,500,000
Pickwick hydro units 5 and 6	72,000	September, November 1952	1950	5,735,499	2,829,000	321,000	4,501	160,000	9,050,000
Hales Bar hydro units 15 and 16	48,600	June, August 1952	1950	9,036,585	4,879,000	946,000	83,415	255,000	15,200,000
Fontana unit 3	67,500	August 1953	1951	699,498	1,713,000	1,596,000	36,502	55,000	4,100,000
Cherokee hydro units 3 and 4	60,000	February, August 1953	1951	657,585	3,846,000	1,471,000	145,415	80,000	6,200,000
Douglas hydro unit 4	26,000	February 1954	1952	----------	910,000	1,864,000	776,000	50,000	3,600,000
Hiwassee hydro unit 2	57,600	October 1955	1953	----------	----------	1,614,000	4,216,000	70,000	5,900,000
Chatuge hydro unit	10,000	do	1953	----------	----------	975,000	1,890,000	35,000	2,960,000
Nottely hydro unit	14,000	do	1953	----------	----------	939,000	2,221,000	40,000	3,200,000
Reservoir shoreline improvements:									
Wheeler reservoir	----------	December 1952	1950	309,080	193,000	426,000	920	56,000	985,000
Guntersville reservoir	----------	December 1953	1951	42,069	3,000	302,000	408,931	54,000	810,000
Navigation facilities: New lock at Wilson Dam, Ala	----------	Fiscal year 1958	1954	----------	----------	76,000	34,024,000	900,000	35,000,000
Chemical facilities:									
Pressure-type nitric acid unit Nos. 1 and 2	----------	Fiscal year 1953	1951	675,085	390,000	475,000	915	19,000	1,560,000
Nitraphosphate production unit	----------	Fiscal year 1954	1953	17,261	15,000	250,000	687,739	20,000	990,000
Replacement of phosphorus furnace No. 5	----------	do	1953	----------	----------	200,000	485,000	15,000	700,000

Acquisition of Assets

Fund requirements in 1953 for acquisition of assets total $224,471,000, of which $192,450,000 will be derived from appropriations and $32,021,000 from corporate funds. The total corporate fund estimate and 97.5 percent of the appropriation figure are required for power facilities. General service items, navigation facilities, chemical-plant additions, and investigations for future projects, all of which are largely or wholly defense items, require an additional 1.9 percent of the appropriated fund estimate. The remaining 0.6 percent represents clean-up of work which is already under way and other items necessary to maintain efficient operations. All of the items proposed have been carefully reviewed to reduce to a minimum the use of manpower and critical materials.

PROJECTS CONTRIBUTING TO POWER SUPPLY

The 1953 budget includes provisions for facilities contributing to the power supply to the TVA service area as follows:

	Number of units		Appropriated funds	Corporate funds
	In service, June 30, 1952	Under construction, fiscal year 1953		
Continued construction of projects under way:				
Boone Dam and Reservoir units 1–3		3	$3,716,000	$60,000
Fort Patrick Henry Dam and Reservoir units 1–2		2	6,958,000	180,000
Johnsonville steam units 1–6	4	2	4,985,600	79,000
Widows Creek steam units 1–6	1	5	21,541,000	15,000
Kingston steam units 1–4		4	23,267,000	25,000
Shawnee steam units 1–4		4	14,793,000	186,000
Colbert steam units 1–2		2	24,112,000	
Pickwick hydro units 5–6		2	321,000	
Fontana hydro unit 3		1	1,596,000	
Cherokee hydro units 3–4		2	1,471,000	
Douglas hydro unit 4		1	1,864,000	
Hales Bar hydro units 15–16	1	1	946,000	
Subtotal	6	29	105,570,000	545,000
Beginning construction of new facilities:				
Kingston steam units 5–6		2	15,000,000	
Shawnee steam units 5–8		4	28,000,000	
Colbert steam units 3–4		2	16,000,000	
Hiwassee hydro unit 2		1	1,614,000	
Chatuge hydro unit 1		1	975,000	
Nottely hydro unit 1		1	939,000	
Subtotal		11	62,528,000	
Total	6	40	168,098,000	545,000

During fiscal year 1953 estimated appropriated funds of $94,896,000 will be required for continuation of work on 17 units in 5 steam plants, on 7 hydro units being installed at existing dams, and for miscellaneous work in connection with completion of 6 units placed in service during fiscal year 1952. In addition, appropriated funds estimated at $10,674,000 will be required for continuing construction of the Boone and Fort Patrick Henry Dam and Reservoir projects which will have a total of five generating units. The Boone project is multipurpose, providing not only for power-generating capacity but also for a 100,000 acre-foot flood-control reserve capacity out of a total reservoir volume of 211,000 acre-feet. The flood-control features of this project will be particularly useful in supplementing the control afforded by the South Holston and Watauga projects for the protection of the city of Kingsport, Tenn., and points further downstream. The schedule for initial operation of all units

under construction, including the six being placed in service during 1952, is as follows:

	Number of units	Rated capacity in kilowatts	Scheduled service date
Johnsonville steam plant	6	675,000	October, November 1951; February, April, November 1952; January 1953.
Widows Creek steam plant	6	675,000	June, August, October, November 1952; March, May 1954.
Kingston steam plant	4	540,000	May, July, September, November 1953.
Shawnee steam plant	4	540,000	December 1952; January, March, May 1953.
Colbert steam plant	2	360,000	September, November 1954.
Pickwick Dam	2	72,000	September, November 1952.
Hales Bar Dam	2	48,600	June, August 1952.
Fontana Dam	1	67,500	August 1953.
Cherokee Dam	2	60,000	February, August 1953.
Boone hydro project	3	75,000	December 1952; March, June 1953.
Fort Patrick Henry hydro project	2	36,000	November 1953; January 1954.
Douglas Dam	1	26,000	February 1954.

This program already approved and under way will increase the rated generating capacity of the combined TVA system (including plants of the Aluminum Co. of America and Cumberland Basin plants of the Department of the Army) from 3,181,110 kilowatts at June 30, 1951, to 6,735,885 kilowatts in the fall of 1954. It will provide increments of capacity after 1952, and continuing through 1954, which are only slightly greater than the anticipated growth in system loads during those years. Thus, the deficiency in power supply which now exists on the TVA system will be only partially alleviated by capacity now being installed; at the end of 1954 the assured system load-carrying ability of about 6,230,000 kilowatts will still be some 170,000 kilowatts less than the estimated system power requirements. Without additional capacity installations after 1954, the continuing system load growth would result in a serious deficiency in power supply; by the winter of 1955–56 the expected system requirements would exceed the assured system supply by nearly 900,000 kilowatts.

Since the fall of 1950 the estimates of loads have been revised to reflect the announced goal of maintaining a fairly high level of production for civilian purposes concurrently with rapid expansion of defense production. Thus, it has been necessary to increase substantially the estimates of residential use of electricity. Partially offsetting this increase in residential use, defense loads are expected to grow somewhat less rapidly than previously estimated because of the difficulty of obtaining critical materials for construction of new plants while maintaining near normal production for civilian purposes. These assumptions result in power demands on the TVA system of 6,400,000 kilowatts by the end of 1954 and 7,100,000 kilowatts by the end of 1955.

In view of the long time which must elapse between the planning for new capacity and its initial availability for carrying system loads, and the prospects for additional load growth during the next four years, some margin of load-carrying ability over presently foreseeable loads must be provided. This is especially important because of the strategic location of the Tennessee Valley for new defense industries and military establishments.

Under present conditions it is considered wise to provide a margin of at least 7 percent in anticipation of possible further changes in conditions before the end of 1955. Had such provision been made a year ago in anticipating 1954 load and capacity conditions, the indicated margin would by now already have disappeared because of the effect of changing circumstances on the projected power requirements. The 1953 budget program, therefore, is predicated upon providing an assured system load carrying ability by the end of 1955 of about 500,000 kilowatts greater than the system loads presently forecast. Increasing the system assured capacity to about 7,600,000 kilowatts by the end of 1955 will require

$62,528,000 in fiscal year 1953 for initiation of the program of new installations by TVA presented on page 12, which will provide the following capacity:

	Rated capacity in kilowatts
Kingston steam units 5–6	360,000
Shawnee steam units 5–8	540,000
Colbert steam units 3–4	360,000
Hiwassee hydro unit 2	57,600
Chatuge hydro unit 1	10,000
Nottely hydro unit 1	14,000

This program also assumes that the Corps of Engineers, Department of the Army, will be able to place in operation during 1955 at least 75,000 kilowatts of capacity in projects on the Cumberland River.

TRANSMISSION SYSTEM FACILITIES

A continued heavy program of transmission line and substation construction in 1953 will result from the need for completing as soon as practicable a number of high-capacity 154-kilovolt lines and terminal facilities. These facilities are required to connect to the system power generating facilities now under construction to supply power to the Atomic Energy Commission, to serve the Arnold Engineering Development Center, and to provide for general load growth throughout the area, which growth has been accelerated by mobilization for national defense.

As shown in the following tabulation, estimated obligations for transmission system facilities in fiscal year 1953 are $49,400,000, of which $31,176,000 will be provided from corporate funds and the remainder of $18,224,000 is included in the appropriation request.

	Appropriated funds	Corporate funds	Total
Gross obligations:			
Direct:			
Primary transmission facilities	$17,409,000	$10,342,000	$27,751,000
Subtransmission facilities		13,262,000	13,262,000
Other transmission facilities		5,881,000	5,881,000
Total direct	17,409,000	29,485,000	46,894,000
Indirect	815,000	1,691,000	2,506,000
Total 1953	18,224,000	31,176,000	49,400,000
Total 1952	26,973,000	29,572,000	56,545,000
Total 1951	29,221,883	13,693,630	42,915,513

The estimate of $46,894,000 for direct construction obligations in 1953 includes $27,751,000 for added primary transmission system facilities. These facilities, which operate principally at 154,000 volts, are required for transmitting large quantities of power from the generating plants to (1) the 66,000-volt and 44,000-volt subtransmission system which, in turn, supplies principally the loads of the municipalities and cooperatives; and (2) those directly served industrial customers who purchase substantial amounts of power. The primary system is also utilized for power transfers with neighboring utilities in connection with interchange and other transactions. All of the estimated direct obligations of $17,409,000 from appropriated funds shown in the preceding table are for construction of facilities in this category and are itemized as follows:

Completion of projects started prior to fiscal year 1953:	
Facilities for supplying power to Arnold Engineering Center near Tullahoma, Tenn	$629,000
Transmission connections for:	
Boone and Fort Patrick Henry hydro plants	394,000
Third generating unit at Fontana hydro plant	150,000
Johnsonville steam plant	934,000
Shawnee steam plant, units 1–4	1,039,000
Wolf Creek hydro plant	2,023,000

Continuation of projects started prior to fiscal year 1953:	
Transmission connections for:	
Colbert steam plant, units 1–2	$3,879,000
Kingston steam plant, units 1–4	4,600,000
Total projects started prior to fiscal year 1953	13,648,000
Projects to be started in fiscal year 1953:	
Transmission connections for:	
Third generating unit at Dale Hollow hydro plant	786,000
Old Hickory hydro plant	650,000
Widows Creek stream plant, units 5–6	2,325,000
Total projects to be started in fiscal year 1953	3,761,000
Total direct obligations, appropriated funds	17,409,000

Primary transmission system facilities to be financed from corporate funds in 1953 total $10,342,000, of which $5,084,000 is for continuation of work on projects begun prior to 1953. The latter estimate includes $4,319,000 for new primary substations (at or near Albertville, Ala.; Spring City, Tenn.; Hopkinsville, Ky.; Columbia, Tenn.; Kentucky Dam; and northeast of Philadelphia, Miss.); $900,000 for a 154-kilovolt connection between Guntersville Dam and Cullman, Ala.; $430,000 for increasing the capacity of primary substations at Knoxville and Winchester, Tenn., and Scottsboro, Ala.; and a credit of $565,000 resulting from retirement of switches at the Wheeler Dam switchyard.

The remainder of the corporate funds for primary transmission system facilities, $5,258,000, is required for projects to be started in fiscal year 1953. This estimate includes $2,192,000 for new primary substations (at Fort Payne, Ala.; Bowling Green, Ky.; and Bedford County, Nashville, Locust Springs, and Chattanooga, Tenn.); $414,000 for increasing the capacity of primary substations (at Alcoa and Covington, Tenn.; and Pineville, Ky.); $300,000 for consolidation of the primary substation and switching station at Huntsville, Ala.; $1,436,000 for facilities to supply power for operation of gas pumping stations of the Texas Eastern Transmission Corp.; and $916,000 for increasing the capacity of 154-kilovolt transmission lines between Centerville and West Nashville, Tenn., and Pickwick Dam and Jackson, Tenn.

A direct construction expenditure of $13,262,000 will be required in 1953 to increase the capacity of subtransmission system facilities. Of this amount, $4,472,000 is for continuing work started before 1953, including $1,740,000 for new 66-kilovolt transmission connections in Tennessee between Halls and Ripley, Huntsville, and Livingston via Jamestown, Martin and Tiptonville via Union City, Milan, and Greenfield, Nolichucky and Mohawk, and Rogersville and Fort Patrick Henry via Church Hill; $295,000 for a 44-kilovolt connection between West Point and Europa, Miss.; $309,000 for conversion to 66-kilovolt operation of lines between Chatuge Dam and Murphy, N. C., and Johnsonville and Dickson, Tenn., via Waverly and McEwen; $514,000 for new substations (at Bluff City and Newport, Tenn.; Leitchfield, Ky.; Bristol, Va.; and near Baldwyn, Miss.); and $1,614,000 for capacity increases at substations at Fayetteville, Jefferson City, Lewisburg, Lebanon, Johnson City, Shelbyville, South Pittsburg, and Tullahoma, Tenn., and at a number of smaller substations throughout the system. The remainder of the 1953 estimate for subtransmission facilities, $8,790,000, covers line and substation additions (to be started in 1953) throughout the power service area where loads have outgrown existing facilities. Of this amount, $4,619,000 is for a number of new 66,000-volt and 44,000-volt transmission lines and substations and $4,171,000 is for capacity increases at existing substations.

The remainder of the 1953 estimate, $5,881,000, includes $1,000,000 for transmission facilities to serve such new loads as may develop in the power service area and for which facilities are not otherwise provided; $1,044,000 for additions to and rehabilitation of communication facilities; $1,164,000 for major rehabilitation of a number of 66,000-volt and 44,000-volt transmission lines; $143,000 for minor rehabilitation, additions, and replacements at generating plants; $1,402,000 for a continuing program of minor substation and transmission line replacements strictly of a maintenance nature and tools and equipment required for transmission construction and maintenance purposes; $328,000 for minor property acquisitions; and $800,000 for miscellaneous static capacitor and low voltage switch installations.

ADDITIONS AND IMPROVEMENTS AT COMPLETED PROJECTS

Actual obligations for 1951 and estimated obligations for 1952 and 1953 are shown in the following table:

	1951 actual	1952 estimate	1953 estimate
Appropriated funds:			
Construction clean-up work on completed projects	−$28,226	$118,000	$244,000
Site improvements and public-use facilities	75,194	376,000	3,000
Construction for malaria control	239,524	196,000	736,000
Access roads to cabin sites scheduled for sale	28,451		33,000
Miscellaneous plant and equipment	53,621	21,000	10,000
Total appropriated funds	368,564	711,000	1,026,000
Corporate funds: Minor additions and improvements to generating stations	204,718	84,000	14,000

Construction clean-up work on completed projects

The 1953 estimate of $244,000 for construction clean-up work (about 25 percent of which relates to the South Holston project) covers final land surveys, land records, allowances for court awards for land-acquisition cases in process of condemnation, preparation of record drawings showing projects as built, and limited-term maintenance of fills on relocated highways and railroads. The latter item covers work performed by TVA under contracts executed with the owners of the relocated traffic arteries prior to construction. The work consists of repairing damage caused by subsidence, erosion, or other action of the elements. TVA's responsibility is limited to a defined period of time after which further maintenance becomes the responsibility of the owners.

Site improvements and public-use facilities

The funds requested under this head amount only to $3,000. While facilities for accommodating visitors and providing for their safety are inadequate on several of the dam reservations and certain facilities installed on a temporary basis during World War II have badly deteriorated, the estimate includes only $3,000 for work to prevent losses from erosion or uncontrolled public use.

Construction for malaria control

Control of malaria along the shores of TVA lakes is one of the major problems created by the impoundage of water. Water level fluctuation, generally the most economical and dependable method of mosquito control, is not effective in certain well defined and measured problem areas, principally shallow flats of limited storage value. Experience and research have shown that the most economical method of dealing with such areas is to alter the contours of the shore line so that fluctuation will be as dependable here as elsewhere in the reservoirs. A considerable amount of completed shore line adjustment work of this type has resulted in substantial savings in operating costs as well as more effective control.

TVA plans to complete such work in problem areas on Kentucky, Pickwick, Wilson, Wheeler, Guntersville, and Chickamauga Reservoirs over a period of several years. The program is now under way in Wheeler Reservoir, where the problem is most intense. To secure maximum economy in operations, this program should be pushed vigorously and completed as soon as possible. For example, completion of the work remaining in Wheeler Reservoir alone will save some $60,000 each year in repetitive operating costs over the life of the reservoir. Completion of the entire permanent shoreline improvement program planned for the several reservoirs will save about $300,000 annually, amortizing the investment in less than 10 years. The budget program for 1953 includes $426,000 for completion of areas on Wheeler Reservoir; $302,000 for work on Guntersville Reservoir; and $8,000 for engineering studies of similar work on other reservoirs. Work covered by the 1953 estimate for Guntersville, together with some already finished, represents about 46 percent of the total work required on this reservoir. It is planned to complete the work on Guntersville Reservoir in 1954.

Access roads to cabin sites scheduled for sale

The 1953 estimate includes $33,000 for work on seven roads within recreation cabin site areas presently leased but scheduled to be sold. The work is necessary to effectuate sale of these properties at reasonable prices.

Miscellaneous plant and equipment

The estimate of $10,000 includes a number of miscellaneous additions and retirements at completed projects, such as boats, motors, and other portable malaria-control equipment; and mowers, rakes, and small tools for maintenance of dam reservations.

Minor additions and improvements to generating facilities

The 1953 estimate of $14,000 from corporate funds covers cleanup of design and construction work on recently installed generating units and purchase of reservation maintenance tools for single-purpose power projects.

NAVIGATION FACILITIES

This subdivision of asets includes project additions and other work constructed for navigation purposes. The program projected for 1953 consists of the following items:

Design studies for a new lock at Wilson Dam	$76,000
Safety harbors on Pickwick and Wheeler Reservoirs	186,000
Oil storage buildings at four locks	27,000
River terminal improvements	5,000
Total	294,000

Lockages through three small locks—a tandem double-lift lock at Wilson Dam and a single-lift lock at lock and dam No. 1 about 2.6 miles downstream from Wilson Dam—are necessary to pass river traffic between Pickwick and Wilson Reservoirs. Completed in the middle 1920's, these three outmoded and substandard-size locks constitute the worst traffic bottleneck on the Tennessee River. One million tons of traffic vital to defense and civilian production now pass through these locks annually. It is estimated that coal shipments to TVA steam plants will increase this figure by an additional million tons a year by 1956, possibly as soon as 1954. Other normal traffic growth will add another half million tons. Existing locks cannot handle this volume without serious congestion. A failure of any one of the locks would throw an impossible burden on other forms of transport. The 1953 budget includes $76,000 for planning and beginning design of a new 110- by 600-foot lock, which represents about 10 percent of the total estimated planning and design required for the project. On the basis of investigations made to date, it is expected that the total cost of a new lock and auxiliary navigation facilities at Wilson Dam will be in the range of $32,000,000 to $35,000,000. Construction would require 3 to 4 years. It is necessary to commence design of the new lock in 1953 and construction in 1954 to permit completion by 1957 or 1958.

Additional safety landings are needed along Pickwick, Wilson, Wheeler, and Hales Bar Reservoirs to provide refuge for protection of tows during storms or other emergency conditions. The need for such landings is most intense on Pickwick and Wheeler Reservoirs and the 1953 budget program provides $186,000 for the construction of five such landings on Pickwick and two on Wheeler.

The 1953 estimate includes $22,000 for oil storage buildings at Kentucky, Chickamauga, Watts Bar, and Fort Loudoun locks which have been specifically requested by the Corps of Engineers, United States Army, which has responsibility for operation of the locks.

The 1953 estimate includes $5,000 for miscellaneous freight-handling equipment at four river terminals.

INVESTIGATIONS FOR FUTURE PROJECTS

The planning and scheduling of additional power and multipurpose projects require extensive preliminary engineering work. Site investigations are made to determine alternative sites for future installations in areas where power loads are developing most rapidly. Drilling and other field explorations are necessary to determine foundation characteristics, and to compare the relative engineering feasibility of different locations. Preliminary design studies of sufficient scope are made to compare probable operating characteristics and costs. The 1953 estimate for continuing these investigations is $324,000.

CHEMICAL FACILITIES

The TVA chemical laboratories at Wilson Dam, Ala., and the production facilities at Wilson Dam, Ala., and Columbia, Tenn., not only form a center

of research for the development of new or improved fertilizers and processes, but also constitute an important facility for the production of certain types of munitions. While the chemical facilities are normally planned, built, and operated for peacetime purposes, they also serve national defense as they are doing at the present time. The current research and development program in which these facilities are used is described in the section of this document beginning on page 45.

Because of the national emergency, the normal rate of construction of new demonstration production facilities which would represent a logical culmination of laboratory and pilot-plant research is not being proposed. The estimates include, however, the amount of $250,000 for initial construction work on a nitraphosphate production unit. This project was deferred from 1951 and 1952 because of more urgent defense projects, but it is now recommended that construction be started in 1953. The nitraphosphate process is particularly important at this time because its application by industry would result in increasing the production of needed phosphate plant food without drawing upon scarce sulfur supplies. Much interest in the process has been expressed by industry.

Estimates for other projects represent facilities required to permit continued operation of plants serving the national defense, TVA program objectives, and emergency needs for fertilizers.

Actual obligations for 1951 and estimated obligations for 1952 and 1953 for chemical facilities follow:

	1951 actual	1952 estimate	1953 estimate
Phosphate lands and rights	$118,422	$100,000	$185,000
Phosphate facilities	680,765	825,000	414,000
Nitrogen facilities	2,032,881	453,000	475,000
Combination fertilizer facilities	9,812	15,000	250,000
Laboratory and service buildings	124,216	26,000	7,000
Emergency plant replacements	351,202	300,000	200,000
General chemical facilities	22,290	−53,000	−54,000
Total	3,339,588	1,666,000	1,477,000

Phosphate lands and rights

The $185,000 requested for phosphate lands and rights provides for continued prospecting and acquisition of phosphate tracts which can be economically purchased in the area of TVA field operations in Tennessee, and for continued prospecting in the Florida phosphate fields. A substantial portion of TVA requirements of raw phosphate is supplied from the Florida fields. The acquisition of further reserves is necessary to assure a continuing supply of phosphate raw materials for operation of TVA facilities.

Phosphate facilities

The 1953 estimate for phosphate facilities provides for the following items:

Projects under way:	
Phosphate handling, blending, and drying facilities	$80,000
Fluorine-recovery facilities for calcium metaphosphate unit	24,000
Other facilities for abatement of atmospheric pollution	100,000
Miscellaneous retirements of phosphate facilities (continuing item)	10,000
Total for projects under way	214,000
Project to be begun in 1953: Replacement and improvement of No. 5 electric phosphorus furnace	200,000
Total phosphate facilities	414,000

The estimate of $80,000 for phosphate handling, blending, and drying facilities provides for completion of these facilities, begun in 1951, at a total estimated cost of $550,000.

Most of the $24,000 estimate for fluorine-recovery facilities for the calcium metaphosphate unit is for technological improvements during the period of preliminary operations. Initial construction of these facilities, which will comprise the second unit for removal of fluorine from exhaust gases from TVA phosphate processes, will be practically complete by the end of 1952 at a total estimated cost of $150,000.

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The estimate of $100,000 for other facilities for abatement of atmospheric pollution provides for further work on the elimination of the discharge into the atmosphere of dust or fumes from facilities other than the calcium metophosphate unit and the fused tricalcium phosphate furnace. TVA has had underway for a number of years a continuous program of investigation and control of atmospheric pollution in the area of its chemical plants. Changes in processes, operating technique, and facilities have been and are being made to avoid increasing an atmospheric pollution problem. Recovery of usable byproducts may result from installation of some of the facilities.

TVA has a bank of six electric phosphorus furnaces which is the major installation in its phosphate plant at Wilson Dam. The condition of the No. 5 furnace is such that it requires replacement in order to maintain existing capacity for producing phosphorus. The unit is being operated at reduced loads in order to maintain production as long as feasible. The estimate of $200,000 provides for design work and necessary building changes; the project is scheduled to be completed in 1954 at a total cost of $700,000. The replacement furnace will be of improved design, including the latest modifications resulting from TVA's developmental program. Its capacity will be approximately the same as the design capacity of the present No. 5 furnace (8,600 tons of phosphorus annually).

Nitrogen facilities

The estimate of $475,000 for nitrogen facilities is for completing, at a total estimated cost of $1,560,000, the installation of two pressure-type nitric acid production units on which work was begun late in 1951. The new facilities are required to assure continued capacity operation of existing nitric acid facilities in the production of urgently needed fertilizer and, in addition, avoid a serious atmospheric pollution problem.

Combination fertilizer facilities

The estimate of $250,000 for the nitrophosphate production unit provides for completion of design work, initial purchases of equipment, and beginning of construction of this unit, estimated to cost $990,000. These facilities will produce on a demonstration scale a new fertilizer material which does not require sulfuric acid now in seriously short supply. Development of the combination fertilizer process by TVA is particularly timely in view of the recommendations of the Subcommittee on Fertilizer and Farm Machinery of the House Committee on Agriculture. The process has attracted much interest on the part of industry. The Atomic Energy Commission is also interested in the process because of its possible effect on the recovery of uranium. Design work on the nitrophosphate demonstration unit was begun in 1951, and development work on further modifications of the process is continuing.

The facilities proposed will produce a concentrated, homogeneous fertilizer compound from phosphate rock, nitric acid, prosphoric acid, and ammonia, with or without the addition of potash. The capacity of the facilities when producing a 14–14–14 fertilizer compound will be 57,000 tons annually; the capacity will be more or less for other process modifications. The plant-food concentration of the products is 1½ to 2½ times that of the average present mixed fertilizers, and the products can be produced at a cost below the present wholesale price of comparable commercial mixtures. Successful demonstration of the process as an economical method for the prodution of phosphate-containing fertilizer without the use of sulfuric acid should accelerate commercial adoption of the process, resulting in increased fertilizer production, and, ultimately, in considerable savings to consumers.

Emergency plant replacements

The 1953 estimate includes $200,000 for replacement of worn-out, obsolete, or inadequate equipment, and for installation of facilities necessary to protect the health and safety of employees. These eventualities cannot be anticipated item by item but must be provided for in an activity of the scope of TVA's fertilizer and munitions development program. Examples of replacements which may be required prior to June 30, 1953, include electric furnace shell, crucible, transformer, and precipitator, water supply facilities, mining equipment, railroad rails and switches, and nitric acid absorption towers and coolers.

Other general facilities

The 1953 estimate for general chemical facilities includes $201,000 for the purchase of miscellaneous work tools and equipment; $15,000 for preliminary investigations and design studies for future facilities; less a credit of $270,000 for depreciation on general chemical plant and shop facilities.

GENERAL FACILITIES

General facilities include such items as office furniture and equipment, transportation facilities, plant additions and improvements on general-use reservations, and construction equipment not assigned to specific projects. The facilities are used in all TVA activities and a large part of the 1953 requirements are essential to the power construction program.

Actual obligations during 1951 and estimated obligations for 1952 and 1953 are shown below:

	1951 actual	1952 estimate	1953 estimate
Gross obligations:			
General construction equipment and inventories	$361,741	$35,000	$131,000
Office facilities and equipment	488,350	279,000	319,000
Transportation facilities and equipment	1,697,669	1,349,000	1,023,000
Public recreation facilities	19,351	17,000	
Other general facilities and equipment	108,330	81,791	64,000
Total	2,675,441	1,761,791	1,537,000

General construction equipment and inventories

This classification reflects changes in inventories maintained for general construction purposes and in the net investment in a pool of trucks, tractors, dirt-moving equipment, and other machinery which is shifted from project to project with changing construction needs. Purchases of new equipment consisting largely of tractors and grading equipment, necessary primarily for replacement of worn-out or obsolete items, are estimated to require $148,000 in 1952 and $180,000 in 1953. Reductions in inventories and credits for equipment use and transfers operate as offsets to expenditures for purchases of new equipment, leaving net obligations of $35,000 in 1952 and $131,000 in 1953.

Office facilities and equipment

Actual obligations during 1951 and estimated obligations for 1952 and 1953 for office facilities and equipment follow:

	1951 actual	1952 estimate	1953 estimate
Purchase of office equipment	$498,422	$378,000	$453,000
Purchase of equipment for office service shops	24,618	22,000	26,000
Building equipment replacements and additions	27,760	27,000	18,000
Telephone system replacements and additions—Wilson Dam		2,000	2,000
Subtotal	550,800	429,000	499,000
Less depreciation on facilities and equipment in service	62,450	150,000	180,000
Total	488,350	279,000	319,000

The estimate of $453,000 for office equipment includes $152,000 for replacing worn-out and obsolete equipment such as typewriters, adding machines, calculators, etc.; $151,000 for furniture and equipment necessary to supply the needs of the staff required for construction projects under way; and $150,000 for furniture and equipment necessary to equip construction projects to be started in 1953.

Transportation facilities and equipment

This category covers general transportation equipment and garage facilities required by the various TVA programs.

Actual obligations during 1951 and estimated obligations for 1952 and 1953 broken down by classes of transportation facilities follow:

	1951 actual	1952 estimate	1953 estimate
Passenger vehicles	$276,190	$165,000	$286,000
Trucks and other heavy mobile equipment	1,961,086	1,758,000	1,443,000
Miscellaneous equipment	77,442	176,000	119,000
Garage facilities	29,533		
Subtotal	2,344,251	2,099,000	1,848,000
Less depreciation on facilities and equipment in service	646,582	750,000	825,000
Total	1,697,669	1,349,000	1,023,000

The estimate of $286,00 provides for replacement of 150 passenger vehicles and 70 additions. The estimate of $1,443,000 provides for purchase (largely for replacements) of 230 light trucks, 120 medium trucks, 50 line-maintenance and construction trucks, 40 construction machines, and 25 heavy trailers.

The estimate of $119,000 provides $60,000 for replacement of two aircraft, including $55,000 for purchase of one helicopter and $5,000 for one fixed-wing airplane. Helicopters generally are more efficient and safer than fixed wing craft for the low-altitude type of flying required for much of TVA's work, but there are needs which can best be met by fixed-wing craft. After acquisition of the aircraft provided for in the 1953 budget, the air fleet for transmission-line patrol, emergency transmission-line inspection, malaria-control spraying, vegetal-growth spraying, and reconnaissance will consist of three helicopters and two fixed-wing craft. The remaining $59,000 of the 1953 estimate for miscellaneous equipment covers a number of minor items of shop and service equipment.

Other general facilities and equipment

The 1953 estimate of $64,000 for other general facilities and equipment consists of $117,000 for minor additions to general facilities on the Muscle Shoals reservations, engineering equipment, and general plant and equipment items required by various development activities, less a credit of $53,000 for depreciation on facilities and equipment in service.

Navigation Operations

Appropriated fund requirements for direct navigation expense are $354,000 in 1953. The budget for 1952 is $359,000; actual expenditures for 1951 were $288,399. The net expense for navigation operations is estimated to be $2,765,000 in 1953 and $2,742,000 in 1952. Actual net expense in 1951 was $2,658,300. These net expense figures include provision for depreciation (which requires no cash outlay), administrative and general expenses, and a portion of multipurpose reservoir operations expenses.

During 1950, traffic on the Tennessee River set a new record—590,000,000 ton-miles—an increase of more than 15 percent over 1949. Total tonnage exceeded 3,000,000, an increase of more than 10 percent over 1949. Automobiles and grain continue to show substantial annual gains with 48 percent and 53 percent increases over 1949, respectively. Iron and steel products, including new steel vessels, show a notable increase of 90 percent over 1949; tonnage of these products has increased from 9,100 short tons in 1948 and 61,400 in 1949 to 116,000 in 1950. Transportation savings are estimated to total more than $7,000,000 on all 1950 traffic. Savings well in excess of the originally estimated $9,000,000 annually should ultimately be realized if business and Government work together to secure suitable rates and common-carrier barge-line services.

Study and development of river transportation, $255,000

TVA's job in the field of navigation consists of (1) providing physical facilities adequate to the needs of commerce; (2) encouraging and assisting private interests in developing terminal facilities and barge-line services; and (3) working with shippers, carriers, and others to provide river transportation data and to coordinate water transportation with other means of transport.

Engineering services of a continuing nature include: (1) preliminary planning of proposed additions to TVA's navigation facilities; (2) maintenance work on secondary channel markers; (3) reviews for effect upon navigation of existing or proposed structures on the Tennessee River system; and (4) analysis of effects upon navigation of changes in TVA's water-control operations. Work on

reservoir charting will be intensified in 1953 in order to complete the main-stream navigation charting program in 1954. An estimate of $25,000 for charting provides for drafting and printing the Wilson Reservoir chart and the five remaining Wheeler Reservoir charts, and for underwater surveys in Pickwick Reservoir. A $15,000 expenditure in 1954 will complete the set of full-scale main-stream reservoir charts. Six reservoirs have already been charted. Prompt completion of charts covering Wheeler, Wilson, and Pickwick Reservoirs is needed because (1) the 140 miles of channel through these reservoirs include some of the widest, most exposed, and most heavily used reaches of the waterway; (2) much of the rapidly increasing traffic in coal to TVA steam plants will pass through these reservoirs; and (3) the charts will assist defense industries to find TVA reservoir-front locations.

Steadily increasing traffic on the river increases the need for TVA to work with private industry and water-front municipalities on navigation problems relating to river terminals, floating equipment, and industrial water-front lands. One of the major efforts in this activity in 1953 will be to inventory and to catalog the essential physical features of Tennessee River sites suitable for use by industry requiring water transportation.

TVA supplies shippers and industries seeking locations with data concerning availability and economy of Tennessee River transportation. This work has been an important factor in traffic results to date. Continuing studies are made to identify and appraise factors which restrict traffic development. A major report on these studies, entitled "Economic Barriers to Full Navigation Use of the Tennessee River," will be completed in 1952. It will recommend solutions for several critical regulatory and legislative obstacles which are preventing full realization of benefits from the waterway. Extensive follow-up work with shippers, carriers, business groups, and Federal, State, and local agencies is planned in 1953 in order to capitalize on the findings of this study.

Operation of public-use river terminals, $92,000

TVA operates four public-use terminals at Chattanooga and Knoxville, Tenn., and Decatur and Guntersville, Ala., and a coal terminal at Harriman, Tenn. The terminal facilities are available to shippers and carriers under the terms of published tariffs. Because they have been available to small shippers and have permitted potential large shippers to try water transportation before making heavy investments in their own facilities, these terminals have been instrumental in the rise of river traffic. When the terminals were built during World War II it was intended that they would be turned over to private operation after a developmental period. The tonnage volume through the terminals is now reaching the point where private operation should be feasible. Lease arrangements for the four public-use terminals are now being developed, and the 1953 estimate is based on the assumption that one of the terminals will be leased by the start of the fiscal year.

Power for lock operations, $7,000

The cost of electric power required by the Department of the Army in operating the navigation locks on the Tennessee River is estimated to be $7,000 in 1953.

Flood-Control Operations

Operation of the flood-control system on the Tennessee River consists principally of using storage space in upstream reservoirs for seasonal retention of excessive runoff and of regulating the discharge from reservoirs to rates of flow which can safely be handled by downstream channels and reservoirs. The major items of cost consist of depreciation of major structures and a portion of the expense of operation of multipurpose reservoirs. Neither of these requires a direct appropriation for flood-control purposes since depreciation is an accounting transaction requiring no current outlay of funds, and fund requirements for operation of multipurpose reservoirs are included in the multipurpose reservoir operations program.

The net expense of flood-control operations is estimated at $2,341,000 in 1953, compared to $2,312,000 in 1952, and actual expense of $2,213,201 in 1951. These figures are shown on statement B and include provision for depreciation, distributed administrative and general expenses, and a portion of multipurpose reservoir operations expenses. Appropriated funds required for direct flood-control operations are estimated to be $77,000 for 1953, slightly below the figure for 1952. The estimate provides for systematic collection and analysis of flood data, including the characteristics of major storms, in order that the flood-control system may be operated most effectively to handle future high flows.

SCHEDULE B–1.—*Power operations (for fiscal years ending June 30, 1951, 1952, and 1953)*

	1951 actual	1952 estimate	1953 estimate
INCOME			
Operating revenues:			
Sales of electric energy:			
Municipalities and cooperatives	$37,642,986	$43,100,000	$50,500,000
Commercial and industrial	16,607,634	26,650,000	24,000,000
Federal agencies	8,162,812	26,250,000	38,080,000
Electric utilities	5,604,712	130,000	1,000,000
Rural (retail)	83,341	15,000	7,000
Total outside sales	68,101,479	96,145,000	114,307,000
Rents and other revenues	336,347	442,000	484,000
Total operating revenues, exclusive of interdivisional sales and rents	68,437,826	96,587,000	114,791,000
Incidental income from recovery of operating expenses:			
Interchange power delivered	568,137	1,442,000	297,000
Sales promotion	174,239	166,000	170,000
Other	592,835	694,000	662,000
Subtotal	1,335,211	2,302,000	1,129,000
Interest from long-term receivables	308		
Total incidental income [1]	1,335,519	2,302,000	1,129,000
Total income before amortization (statement A)	69,773,345	98,889,000	115,920,000
Amortization of prepaid rentals on Memphis steam plant [2]	143,138		
Total income	69,916,483	98,889,000	115,920,000
EXPENSES			
Production:			
Generation	15,381,728	26,082,000	42,769,000
Purchased power	2,716,343	11,896,000	2,058,000
Interchange power received	2,267,749	6,593,000	7,084,000
Total production expense	20,365,820	44,571,000	51,911,000
Transmission	5,034,203	6,085,000	6,217,000
Distribution	18,853	5,000	2,000
Customers' accounting and collecting	69,784	85,000	90,000
Sales promotion	487,970	535,000	540,000
Payments in lieu of taxes	2,444,796	3,012,000	3,512,000
General operating expenses	2,272,699	2,748,000	2,938,000
Interest on funded debt	863,991	743,000	687,000
Other expense	133,777	139,000	139,000
Total operating and interest expense	31,691,893	57,923,000	66,036,000
Less interdivisional sales and rents [3]	1,748,616	1,882,000	2,711,000
Total direct expenses	29,943,277	56,041,000	63,325,000
Distribution of administrative and general expenses (schedule B–5)	1,026,614	1,018,000	1,078,000
Total (statement A)	30,969,891	57,059,000	64,403,000
Allocated from multipurpose reservoir operations	1,408,593	1,486,000	1,496,000
Total expenses before depreciation	32,378,484	58,545,000	65,899,000
Depreciation on power facilities	10,405,241	12,886,000	18,204,679
Amortization of electric plant acquisition adjustments	200,000	200,000	174,321
Depreciation allocated from multipurpose reservoir operations	1,079,647	1,110,000	1,120,000
Total expenses	44,063,372	72,741,000	85,398,000
Net income from power operations	25,853,111	26,148,000	30,522,000

[1] Incidental income is deducted from the appropriate operating expense.
[2] Amortization of prepaid rentals is included in operating revenues.
[3] Interdivisional sales and rents are included in operating revenues.

These departures are made herein for clarity of presentation for budgetary purposes.

NOTE.—In accordance with the uniform system of accounts prescribed by the Federal Power Commission, TVA's published financial statements reflect these items as follows:

Power Operations

(Schedule B–1)

By the end of fiscal year 1953 the installed generating capacity on the TVA system (including plants of the Aluminum Co. of America and the Department of the Army) is expected to increase to 5,561,385 kilowatts from the actual of 3,181,110 kilowatts in service at the end of 1951. The estimate of total energy supplied to the system from these facilities and from other systems under purchase and interchange agreements is slightly over 30 billion killowatt-hours in 1953 and 23.9 billion kilowatt-hours in 1952; the actual for 1951 was more than 20 billion kilowatt-hours. The total energy delivered by the TVA system (exclusive of transmission losses) including sales, deliveries to the Aluminum Co. of America under the Fontana agreement, and deliveries to neighboring utility companies under interchange arrangements is estimated to be about 28.5 billion kilowatt-hours in 1953 and 22.5 billion kilowatt-hours in 1952, compared with the actual of 19.1 kilowatt-hours in 1951.

The net income after depreciation but before interest charges is estimated at $31,209,000 in 1953, compared to an estimate of $26,891,000 in 1952 and an actual of $26,717,102 in 1951. The net income for 1952 and 1953 represents a return on the average net investment in the power program of between 4 and 4¾ percent, compared with an average of about 4 percent over the 18 years of TVA's power operations. The return of 5.4 percent achieved in fiscal year 1951 was substantially better than anticipated a year ago because of the favorable streamflows experienced and the existence of markets for supplemental power even from marginal sources. The return anticipated in 1952 and 1953 reflects the assumption of average streamflow conditions in those years and the larger amount of fuel-generated power required to supplement hydro power to meet anticipated loads. Net income after all charges, including interest on bonded debt, is estimated to be $30,522,000 in 1953 and $26,148,000 in 1952, compared to the actual net income of $25,853,111 in 1951. As indicated above, the estimates for 1952 and 1953 assume average streamflow conditions. Better than average streamflows could produce some increases in net income over the estimates. Under extreme dry conditions the net income in either of these years could be wiped out, or nearly so, by increases in production expenses.

POWER REVENUES

Based on load forecasts prepared in the fall of 1951, sales of electric energy, exclusive of interdivisional sales, are expected to increase in 1953 to about 26 billion kilowatt hours as compared to the estimate of approximately 20 billion kilowatt-hours in 1952 and the 1951 actual of 15.9 billion kilowatt-hours. The large increase in energy requirements forecast for 1953 assumes a continuation of the defense mobilization program and a fairly high level of production of civilian goods. The bulk of the power available for disposal will be sold to preference customers—the municipalities, cooperatives, and Federal agencies; these customers will require over 75 percent of all the energy sold by TVA in 1953 as compared with 67 percent in 1951. Requirements of municipalities and cooperatives purchasing power from TVA at wholesale rates are expected to increase about 30 percent over those of 1951. Power use by other Federal agencies in 1953 will be about four times the amount used in 1951, primarily due to the expansion of the Atomic Energy Commission's facilities at Oak Ridge and to its new plant near Paducah. Sales to large directly served industries are estimated to increase about 25 percent in 1953 over the actual sales in 1951, resulting mainly from new plant facilities being placed in operation.

Revenues from the sale of electric energy, exclusive of interdivisional sales, are expected to increase from the 1951 actual of $68,101,479 to estimates of $96,145,000 in 1952 and $114,307,000 in 1953; income from rents, miscellaneous revenues, and recovery of operating expense is estimated to be $1,613,000 in 1953, compared with an estimate of $2,744,000 in 1952 and an actual of $1,671,866 in 1951. The increase in revenues from energy sales in 1952 over 1951 is relatively larger than the increase in energy requirements due to sales of interim power to the Atomic Energy Commission and private industries at rates based on TVA's cost of obtaining such power from high-cost marginal sources and to the replacement of long-term industrial contracts, as they expire, with new contracts containing somewhat higher rates. Since the addition of generating capacity to the TVA system will reduce the sale of interim power in 1953, the average revenue per kilowatt-hour will be below that of 1952.

POWER EXPENSES

Based on average stream-flow conditions, total direct power-operating expenses are estimated at $63,325,000 in 1953 and $56,041,000 in 1952, compared to the actual expense of $29,943,277 in 1951. The substantial increase in the estimates for 1952 and 1953 over the actual for 1951 is due principally to greater production expense resulting from necessary use of fuel-generated power to supply the increased loads. During most of 1952 and for part of 1953 it will be necessary that large amounts of interim power be obtained from neighboring utilities to supply the Atomic Energy Commission in advance of the completion of additional TVA generators now under construction. While the total use of high-cost interim power from neighboring utilities in 1953 is about half that required in 1952, a larger amount of fuel-generated power on the TVA system will be required to meet the heavy loads. The increases in 1952 and 1953 over 1951 also reflect the relatively low production expense in 1951 due to the favorable stream flows in that year.

The production expense estimates in schedule B–1 are based on the forecasts of power requirements used in projecting revenues from the sale of power. Variations in total production expense from year to year are detailed in the following breakdown of production expense totals:

	1951 actual	1952 estimate	1953 estimate
Generation expense:			
Hydroelectric	$4,870,228	$6,562,000	$7,207,000
Steam-electric	10,038,182	19,100,000	35,091,000
Other	473,318	420,000	471,000
Total generation expense	15,381,728	26,082,000	42,769,000
Other production expense:			
Purchased power	2,716,343	11,896,000	2,058,000
Interchange power received	2,267,749	6,593,000	7,084,000
Total production expense	20,365,820	44,571,000	51,911,000

As indicated above, the increase in total production expense in 1952 results in large part from the fact that the generating capacity has not kept pace with load growth, making it necessary to obtain substantial amounts of high-cost power from others. The increase in total production expense in 1953 reflects the continued need for purchasing high-cost power, together with the increasing proportions of generation from the TVA system being supplied from the new steam plants. Of the total system input, the hydro plants are expected to provide about 53 percent in 1953, as compared with about 78 percent in 1951, when reservoir conditions and streamflows were quite favorable.

The above estimates of production expense are based on energy actually in storage in the fall of 1951, and the assumption of average streamflow conditions thereafter, with due consideration to the amounts of storage reserves which must be maintained to carry loads in subsequent periods. Great variations from the estimates for steam-electric generation expense and interchange transactions can result from changes in streamflow conditions, load requirements, or the price of coal.

The increases in transmission expense and other items of expense from year to year reflect the requirements for operating and maintaining the growing power system required to supply the expanding loads in the TVA power service area.

The estimates of payments in lieu of taxes are based on revenue from the sale of energy, exclusive of sales to Federal agencies, during the preceding fiscal year, in accordance with provisions of section 13 of the TVA Act, as amended. The estimated payments for 1952 and 1953 are each approximately 5 percent of such revenues for the preceding year. The percentage is in accord with the requirements of law.

The estimates for interest expense on funded debt are in accordance with the requirements of the United States Treasury, holder of the bonds. These estimates reflect the retirement of $5,000,000 of bonds in each of fiscal years 1951 and 1952 and the contemplated retirement of $5,000,000 of bonds in fiscal year 1953.

REGIONAL RIVER DEVELOPMENT PROGRAM

Mr. GORE. Mr. Clapp, we recognize that in the original concept of the TVA Act it was to be an integrated program of regional and river valley development. With the enormous electrical demands in the valley growing out of World War II, and now out of the preparedness program, the electric generating problem has become so great that in the minds of many these other functions of TVA have become dwarfed. They have become dwarfed only in comparison, because they remain highly important, and the committee would be very pleased indeed if you would reemphasize and bring the committee up to date on the over-all regional developmental program.

Mr. CLAPP. Thank you, Mr. Chairman, for that opportunity.

The emphasis that circumstances and the requirements of the country's national defense and its development of greater strength have put upon TVA's power function, as Mr. Gore has said, has sort of pushed public understanding of some of the other responsibilities of TVA into the background.

The TVA was set up, as this committee well knows, to develop the whole Tennessee River system for flood control, for navigation, and for power, and to operate that river system in such a way as to get the maximum of all of those things out of it for the benefit of the people of that region, and for the benefit of the country.

We were also charged with the responsibility of paying attention as a Federal regional agency, the only one of its kind, and certainly, the only one of its kind in that region, to other features of regional development that would change, or help to change, this seriously economically depressed area into an area whose resources were being used more effectively and with greater benefit to the country as a whole.

TVA STATUTE

I had occasion a month or so ago, in the course of some leisure time reading that I finally got time for, to reread the TVA statute. I have had to do it many times under the pressure of hearings or to find specific provisions but this time I wanted to read it as sort of a social, economic, administrative and governmental document. I hope that members of this committee will find occasion to reread the TVA Act. It helps one to see the TVA program in its rightful perspective.

It describes the kind of an agency that was to have concern for all of the resources of a region, not just the river, not just some dams, not just some steam plants, but it was to concern itself with the forestry problems of the area, the soil and agricultural problems, extending into the mineral resources, and what could be done with them for more efficient production in the region. TVA was expected to pay careful attention to the way it operated its facilities so that those operations would not bring with them a stigma of difficulties enforced upon the region, such as an increase in malaria from the impoundment of water in the reservoirs created by new dams.

In carrying out those responsibilities we have come year after year before this committee of the House, and the committee has been very understanding in appropriating money for what we have called the resource development program and for fertilizer and munitions

research and the development program involving the chemical plants at Muscle Shoals.

In the careful administering of those programs we have been guided by two major concerns.

In the first place, we have done our best to do what we had to do directly in the most efficient manner possible, in an honest way, in an economical way and finding ways to cut costs wherever we could. I think our record on that is one that we have a right to be proud of, and we are proud of it.

RESOURCE DEVELOPMENT

The other thing that we have paid major attention to is how to set these programs of resource development into the economy of the region in such a way as to encourage local initiative. We looked forward to the time when the TVA, representing the Federal Government, would be putting less money into many of these activities and the State and local agencies would be taking a larger proportion of the expense of those programs and would be staffing their own agencies to do things which TVA originally gave some impetus to in the beginning.

FARM TEST—DEMONSTRATIONS

Now, to get concrete, the chemical plants that we took over in 1933, the ones that were built for wartime purposes in 1916 and 1917 and 1918, were turned into facilities for the production of phosphatic fertilizers. We developed new processes largely through the use of the electric furnace. We had to test those new fertilizers.

In the process of developing the test and demonstration programs, we got together with the State agricultural colleges and the extension services of the various States and asked them to share leadership in the programs with us.

This committee knows a lot of the history of that test and demonstration program. It knows that at one time we have as many as 30,000 test-demonstration farms using TVA materials under programs sponsored by the States, and reporting the results of those new types of fertilizers to TVA, so that its chemical research could adapt processes of manufacture to the problems and the soil.

As time has gone on we have reduced that program more and more, and we have called upon the States to assume more and more responsibility for it, and to give more and more leadership in its administration and execution.

The result is that, as you see in this budget proposal for 1953, the test-demonstration program is reduced to a still lower level of volume for 1953, calling for distribution of less fertilizer materials through the test-demonstration program. It calls for the assumption of more responsibility on the part of the State agencies to carry on this program and to make its results effective and applicable to the farm problems of the area as a whole.

REFORESTATION

Consider these facts: In fiscal year 1947 TVA spent approximately $640,000 for contractual payments to land-grant colleges for super-

vision of test demonstrations. Total TVA payments for this purpose are estimated at $318,000 in this budget for 1953. The number of extension workers in the valley States increased from 1,289 in 1934 to 2,468 in 1948. Average extension funds available per county in the valley States in 1949 were $20,520, an increase of 285 percent over 1934. Within this total, State and college funds increased by 343 percent to $5,204 in 1949 and county funds increased by 237 percent to $4,025 in 1949. All of these percentage increases were greater in the valley States than in the other 41 States.

Likewise in forestry we have, in times past, spent money appropriated by this committee and the Congress, in getting people to plant trees to reforest large parts of the area and thereby contribute new products, increase the water holding power of the valley and cut down on erosion and siltation, which result in large waste of land and wealth.

The program as reflected here takes very little time on the part of the TVA staff in the promotion of tree planting; now citizens and organized groups and test demonstration farmers and whole communities under the leadership of the State agencies in agriculture and forestery, allied with the bankers and with businessmen in local communities, are pushing those tree planting programs in greater and greater volume. TVA's role remains primarily that of operating a couple of seedling nurseries where we raise seedlings and turn them over to the States and to other agencies for distribution in these programs.

The States, in the meantime, are building up their seedling producing programs, so I think in 1953 their plans call for the production of some 150 million seedlings, whereas, a few years ago their production was practically nil.

FOREST PROTECTION

In the meantime, we have worked with the States and the landowners of the area to get them to realize that it does not do much good, or make much sense to spend money, time, and labor planting trees if fires are going to burn them up.

We could have come to this committee year after year and urged Federal money for fire protection. We have not done so. There are Federal programs that operate in that field, but our special role in that particular problem has been to work with the States and in the counties getting the various landowners to realize that the business aspects of forestry cannot succeed commensurate with the great forest reserves in this region unless the landowners, out of their own pockets, support local programs of fire prevention and protection.

The result is that today 80 percent of the forest lands of the Tennessee Valley region have some kind of protection, not paid for by the TVA, but paid for and operated and carried on by the States and local agencies.

Sixty-five percent of the forest lands have what technical foresters call adequate fire protection.

Here are a few statistics on the decrease in the annual burn of timber of the area and the decrease in the acreage of burn: While forest-fire records are not complete for all counties, a survey in 1938 indicated an average annual burn of about 5 percent in the Tennessee Valley.

The estimated average burn in the valley in 1951 was approximately 1 percent. However, the average annual burn varies from a low of 0.2 percent in one area to as high as 10 percent in some private non-protected areas.

We have gone through some very risky seasons in the last few years with very dry fall months, and yet the widespread forest fires that used to curse the region have not occurred in as great volume or with as great frequency.

FORESTS AND FOREST MANAGEMENT

Now, the point that I would like to get across is that TVA in that field has concentrated on the idea of leading the way, suggesting the way to do things, using its small amounts of money to carry on demonstrations and to get States to harness their educational forces in working with the landowners, who, in the last analysis, are going to determine the kind of forests and forest management we will have.

That has left our staff, then, free again to move to the next type of problem, which is, with more trees, with more forests, with better growth, with better fire protection, how do you get better management of the forests and how do you get more economic benefit out of their croppage?

DEMONSTRATIONS OF MORE EFFICIENT SAWMILL OPERATION

Consequently, in this budget proposal for 1953 the committee will note that there is more emphasis upon demonstrations of more efficient forest management; an example is sawmill operations. Sawmill operators are called together and come of their own volition to attend schools right on the site of somebody's sawmill. Here the experts explain how they can improve the efficiency of different types of sawmills, how large they should be, and how large a cut ought to be taken to increase the dollar value of forest raw materials consistent with forest conservation programs.

RECREATION DEVELOPMENT

Similarly in the field of recreational development. It may seem at first glance that the TVA should be the last agency interested in recreational development, but, of course, as this committee and as many of you as individuals know from your own knowledge of the Tennessee Valley and other parts of the country, where you create lakes people will make use of them as recreational assets. That has been the case in the Tennessee Valley.

The TVA recognized that there would be a great byproduct value for recreation in building these dams and storing up these waters for navigation, flood control, and power.

Moreover, the TVA recognized, and called attention of the States in the region to the fact that there would be a great public demand for recreational facilities on these lakes. We suggested that the people would look to the States and to their own county and local governments for the development of parks and recreational areas.

The first reaction that we got years ago to the idea of capitalizing on the recreational value of these lakes was that TVA ought to do

all of these things because local governments were not prepared to do the job. We did not agree that TVA should assume such a responsibility.

DEMONSTRATIONS—RECREATION DEVELOPMENTS

We saw, however, that it was going to be necessary and advisable to establish some demonstrations of what could be developed on these lakes in an economic way to serve as a guide to both private and to local public investment.

We set up some demonstration parks in connection with the reservations around our dams, and for a time we operated some of those parks.

There was one at Big Ridge on an arm of Norris Lake which was built with CCC labor back in the middle thirties. There was one at Norris Dam, and there was one at Pickwick Dam, built from a converted construction village that we put in order to house the workers while they were building the dam. Several other demonstration parks were converted from construction villages and camp facilities.

We were operating those so-called park facilities, not to make them a part of the permanent operating requirements of the TVA, but in order to suggest or demonstrate, both to private citizens and Government agencies in the valley and in the States what could be done. As a result of that and other guidance, the State agencies have gone into that development, and as of now there are some 11 State parks on TVA lakes in the valley, whereas in 1933 there were no State parks.

There are more than 35 municipal and county parks on these lakes where local money, not TVA money, has gone into the development and establishment of the physical facilities.

The operating requirements are not on the TVA, they are on the State, the county, and municipal governments.

The demonstration parks that TVA established to make these lessons clear have now been turned over to the States either by straight transfer or long-term leasing arrangements thereby divesting the Federal Government of operating expenses and responsibility for this enterprise.

FIELD OF MALARIA CONTROL

The same lesson can be pointed to in the field of malaria control. I dare say that when historians, at some future date, take a long look at the TVA program, one of the achievements they will cite, perhaps even more than the development of the power supply, which has been an extremely dramatic thing, and continues to be, is what has happened to malaria in the Tennessee Valley.

When you build a dam on a stream in a region that has a history of malaria you slow the flow of that stream, and you increase the conditions which are conducive to breeding malaria mosquitoes. If this is disregarded, then you get an endemic condition that just multiplies and becomes a curse upon the productive capacity of the people.

When TVA started out in 1933 the incidence of malaria in the Tennessee Valley along the southernmost stretches of the river ranged all of the way from zero up to 65 percent.

Mr. GORE. What do you mean by 65 percent?

Mr. CLAPP. I mean that 65 people out of 100 in some communities either had malaria or had a history of malaria infection. In some of the river communities it got that high.

Mr. GORE. What was the general average, would you say?

Mr. CLAPP. The general average for the communities in north Alabama was about 30 percent in 1933.

Mr. GORE. Ranging from very low in the mountainous regions to very high, I suppose, in the flatlands?

Mr. CLAPP. That is right.

The problem of industrial development was affected by the incidence of malaria. You can document that by talking with mill operators and factory managers who have seen the before-and-after story of malaria in the Tennessee Valley.

Mr. GORE. From what source do you have authentic information as to the incidence of malaria prior to TVA?

Mr. CLAPP. The State public health authorities, supplemented in some instances by the United States Public Health Service, from time to time make blood smear tests of sample populations along the rivers in order to see how serious the problem is.

As the malaria control programs of the TVA and the States and local counties along the river have done their work, the incidence of malaria has gone down and down until in 1948, using the same sampling techniques that were used earlier, the incidence had dropped down to one-tenth of 1 percent.

Since 1948 regular sampling methods that the counties and the States use have discovered no cases of malaria.

Mr. GORE. You mean in the entire valley?

Mr. CLAPP. That is right, in the samples that they have taken. That does not mean that malaria is wiped out in the Tennessee Valley, but it does mean that instead of it being a common experience and a common curse along the river it is, for all practical purposes, destroyed. However, it is still dormant, and any failure on our part to continue the malaria control measures that we have developed could, in a single season undo the work and the results that have been achieved in these 15 to 17 years. And in getting this result we have watched costs carefully. Through continued improvements in methods and with constant effort to achieve maximum economy in this work, we have reduced costs from $1,220,000 in 1947 to $650,000 last year in spite of a larger number of reservoirs and rising costs of labor and material.

Mr. GORE. Well, that is a marvelous story, Mr. Clapp.

Mr. CLAPP. The important point again in that is that the TVA, instead of undertaking to do the whole malaria control program itself, has worked with the States and helped them to train and to acquire more competent personnel for the public health job in those activities. TVA has turned over to those agencies the inspections, the mosquito count and inspection work, to test our malaria control measures in the operation of our reservoirs. We have also helped the State and local agencies to pioneer in some of the more advanced prevention techniques, such as the use of DDT in house paint, and new and more effective spraying methods.

The story that runs through all of these things in the resource development field is that the people in TVA—our division chiefs, our

section chiefs, and the men working out in the counties and on the front line with the States—have, I think, been devoted to the idea that TVA's function is to help build up the State and local agencies to a point where they can do these things which TVA might otherwise have to do.

This malaria story, on which I perhaps spent more time than I should, is one of the most dramatic to me.

I wanted to get it into the record of this Congress because Dr. Eugene L. Bishop, the director of that program, who died in service a year ago, had just received the Lasker Award of the American Public Health Association for the outstanding job that had been done in the public health field in the malaria control program. One of the things the citation emphasized was the leadership of Dr. Bishop in getting the States and the counties to assume greater and greater responsibilities in this field of malaria control and malaria prevention.

EXPLORATION AND RESEARCH IN THE DISCOVERY AND USE OF MINERALS

The same point can be made in connection with TVA's work in exploration and research in the discovery and use of minerals.

MINERAL RESEARCH

The committee will note that this year the proposal for 1953 shows a very drastic reduction in what we are proposing to apply to mineral research. This is largely because the program has now reached the point where the States of North Carolina, Tennessee, Georgia, and Alabama, through their own staffs and their own programs—stimulated, in large part by money made available to the TVA through this committee and this Congress—can now carry on the programs in their own States under their own leadership with TVA counseling on special problems.

That, I think, is the whole thesis of the resource development and fertilizer and test-demonstration program as reflected in the 1953 program.

SPECIAL PROBLEM AREAS

I would not want to create the impression that the work of resource development in the Tennessee Valley is done. It is not done.

The programs that we have helped to develop with the States and the specific activities that we have jointly sponsored with the States and counties have, in large part, been on a valley-wide basis.

The Tennessee Valley region is in better economic shape today than it was 10 years ago or 15 years ago. TVA does not claim all of the credit for that, but we think that the TVA activities and the way they were conducted have had something substantial to do with that result.

There are still within the region, however, some very special problem areas where the generalized programs of the whole valley or of whole States do not reach as effectively as they could and should.

TRIBUTARY WATERSHED DEVELOPMENT

Therefore, you will notice in this budget proposal for 1953 that there is a continuation and expansion of a program that we discussed briefly before the committee last year. We call it "tributary watershed development."

We are selecting—with the collaboration of the State agencies in agriculture and forestry—relatively small watersheds within the drainage of the Tennesse River system. Because these areas have soil problems, water problems, local floods, erosion, poor forest resources, poor farm and forest management and the like, they require some special attention.

We are going to try to concentrate in a few of those smaller watershed areas a program of guidance, counseling, and technical assistance. This will be done in collaboration with the States and counties—working with the people of those smaller areas so that they, in their small regions, can begin to develop programs that are comparable in content and substance to the programs of the Tennessee Valley as a whole.

We are just getting some of those programs underway on a modest scale.

The results of these programs will have an effect upon the Tennessee River system as a whole in its flood-control aspects, and certainly in the utilization of its water.

MANAGEMENT OF TVA

In just a minute or two, if the committee will indulge me just a little bit more, I would like to make a few comments about some of the concerns we have been developing and doing something about in the way we actually run and manage the TVA.

I cannot read the Federal Budget as a whole without realizing the problem that this committee is faced with in trying to make a dollar go farther than it has ever gone before.

We feel that we have an obligation, just like every other agency does to make sure that we are doing as efficient a job as we can.

I know what I am about to say will seem a self-serving statement. We have worked hard in TVA to carry on a clean operation, to recruit and maintain competent, effective, devoted people.

We have on our own initiative, time and time again, cut our own budgets and eliminated personnel and positions where we found a more economical way to do things.

We have carried out our own reorganizations under our own power, eliminating major offices where that seemed to be the advisable thing to do. We can report to you that in this last year we have made some major economies in that respect.

We have eliminated two major coordinating posts in TVA. At the time these posts were created they served a very important purpose. One was the Office of the Chief Conservation Engineer, to coordinate the work in agriculture, fertilizer research, and forestry. Also, it was to relate this work to the rest of TVA. As the work of that office had its effect, as our own personnel became more accustomed to working with one another, and as our programs became more constricted in form, the need for that coordinating function disappeared. We therefore abolished the office, and the personnel either became

absorbed in other activities of TVA or left to take up other posts in private or public life, with a net annual saving of over $75,000 in the operating cost of TVA.

Similarly the post of Director of Reservoir and Community Relations has been abolished. The work there involved the coordination of work in regional studies, reservoir management, health and safety, and the like. It became clear that we could dispense with that coordinating function, which meant the elimination of posts, the elimination of the services of people, and a reduction of about $50,000 in our annual expenses.

EFFICIENCY OF THE CONSTRUCTION PROGRAM

We have, of course, increased the total number of our personnel substantially, but an examination of the reasons and the record show that that was due almost entirely to the tremendous expansion of our construction program.

We, unlike many other agencies that have responsibility for construction, do this work with our own force, and thereby eliminate the large bulk of the contractors' fees and save that money for the Government.

When we build dams and steam plants, the people who purchase the material, who construct the projects, who keep the books, are all TVA people. They appear on the TVA payroll and add to the total number of TVA employees.

In 1943, at the height of our construction program during the last war, we had over 40,000 people on our payroll.

Only 3 years later, when the peak was over and our construction work had tapered off, we were down to about 11,000 employees.

TVA, I think, has a record of staffing itself prudently and cutting down its payrolls when its work is done or when it lets up. It builds up again as it needs to, not hoarding manpower or trying to keep budgets high just to have elbow room in which to exploit our own special ideas.

We have gone through a particularly difficult year. We have the largest construction program under way that we ever have had. Materials are difficult to get, but we are getting them. We are keeping our projects fairly well on schedule. We are keeping our costs, on the whole, reasonably well within limits.

I want, with a little touch of pride, which I hope the committee will pardon, too, to remind the committee that this agency has a record from the beginning of building its construction projects—totaling a half billion dollars up to last June—within 3 percent of the estimates which it laid before the congressional committees at the time it asked for funds to build those projects.

Mr. GORE. I want to break into your statement to express my own, and I am sure that of the entire committee, admiration and respect for the efficiency of the construction program, the accuracy of the estimates, and the integrity with which it has been presented.

While I have made this interruption, permit me to say that I have been impressed this morning that your period of physical convalescence has served very well as a refresher of your devotion to TVA, your faith in it, and your loyalty to efficient administration.

Mr. CLAPP. Thank you, Mr. Chairman; I take that for the whole TVA. This outfit, the TVA, is a very special kind of agency, and it is easy to work hard in it.

TVA ACCOMPLISHMENTS

Mr. Chairman, I could go on with further elaboration of the main idea that I wanted to pay some attention to this morning.

I would like permission to put some detail in the record that will give concrete facts to back up some of the illustrations I have cited, or perhaps add some more, without adding too much to the record.

Mr. GORE. You have that permission, Mr. Clapp. Thank you very much for your general statement.

(The matter referred to is as follows:)

Food processing.—When TVA was established, little food-processing research was being carried on in the region. TVA, recognizing the relationship between good farm markets and improved farm practices, embarked on a program in this field, including direct research with its own staff and facilities and joint activities with valley State institutions. TVA activities in this field contributed to the establishment of more than 120 industrial canning and freezing plants in the valley. More than 250 freezer-locker plants have been established, serving as food processors for 95,000 families. About 120 small meat-packing plants have been established, largely an outgrowth of community locker plants which TVA helped to develop. TVA payments of $240,000 over a period of 15 years to State institutions for contractual work on food processing helped establish new research facilities. Where in 1934 two men with $10,000 worth of equipment and a budget of $18,500 did all the research and educational work in the valley States in this field, the number of technical staff members in 1950 was 45, the facilities were worth $1,725,000, and the annual budgets totaled $414,000. Having helped to bring about this great expansion, TVA has closed out its own activities in food processing, leaving the activity entirely to the people of the region.

Agricultural engineering.—For a number of years TVA has carried on research and demonstration activities in agricultural engineering, with special emphasis on the problems of the valley's many small, hilly farms. While the work has been carried out in close cooperation with the State agricultural colleges, a research shop operated by TVA has played an important part in these activities. This work resulted in development of a small threshing machine, a scarifier to hasten germination of legume seeds, a package electrical unit for sweetpotato-curing houses, and many other machines and devices suited to valley agriculture. State agricultural engineering staffs and facilities have increased greatly and it is now felt that TVA can withdraw from direct research work on the development of new types of farm equipment. Plans are now being made to turn TVA's agricultural engineering shop over to the University of Tennessee. TVA will retain a small technical staff to provide advice on the agricultural engineering aspects of various TVA activities; to identfy problems needing further attention; and to encourage and advise other agencies and institutions in the conduct of agricultural engineering research and development. TVA's expense for this activity in fiscal year 1953 will be only about one quarter of the amount spent in 1947.

Stream sanitation.—Stream sanitation is another field in which State efforts have increased. In 1935 six States have spent $59,000 and devoted 20 man-years of work to the problem; in 1950 expenditures were about $366,000 and 61 man-years were devoted to the work. Since World War II six of the seven valley States have adopted stream-pollution-control legislation and are actively engaged in activities looking toward cleaner streams. Today TVA is spending only about two-thirds of what it spent in 1947 on this activity. TVA's function here is to work with State and local agencies in adapting their plans to the fact that the river has been converted into a series of reservoirs operated for several purposes. Stream pollution is a long-term problem because population and industry are on the increase.

Environmental sanitation.—Along with the rapid increase in recreational development and use of the areas around TVA reservoirs has come an increase in local public-health problems. When this development started, State and local health departments were not equipped to furnish the sanitary inspections necessary to protect the public. Through use of TVA staff and financial support of local health departments, TVA assisted local health agencies in making sanitary inspections of leased or licensed recreational areas. With this help the State and local agencies have been strengthened and by the end of this year will provide these inspectional services without TVA financial aid.

River terminals.—TVA has constructed a 650-mile navigation channel, reaching downstream from Knoxville, Tenn., to Paducah, Ky., where it connects with the vast inland-navigation system of the United States. Large users of the river, such as petroleum companies and milling companies, have been building their own terminal facilities. During World War II, TVA constructed four public-use terminals at Knoxville and Chattanooga, Tenn., and Guntersville and Decatur, Ala., to accommodate smaller shippers who might want to use the waterway and to increase wartime usefulness of the channel. In accordance with its announced plans at the time the terminals were built, TVA has now transferred the four terminals to private operation under license agreements which, upon approval by the Congress, will be changed to leases with options to buy. The development of traffic on the river, totaling 590 million ton-miles with over $7 million in traffic savings in 1950, has made operation of the terminals attractive to private enterprise.

Electrical development.—TVA has recently inaugurated with the majority of power distributors a new program for electrical development activities. Heretofore, a joint program was carried on to encourage the wider use of electricity in all its phases, with the municipalities and cooperatives paying one-third the cost and TVA the other two-thirds. Under the new set-up TVA will provide commercial and industrial power service assistance, including window displays and advertising, at cost. In the fields of residential and rural use of power, where TVA under the act has specific responsibilities, the TVA will provide advisory service to the distributors at its own expense.

Library service.—Many of the TVA dams have been built in sparsely settled location without the usual community faciilties to which most of the employees were accustomed. Libraries, for example, were practically nonexistent. Rather than providing direct TVA library service to the employees, TVA worked with State and local agencies in developing regional library projects. These libraries were operated by local groups and were partially supported by TVA payments for the services furnished construction employees. TVA was thus instrumental in the establishment of 12 regional library projects, 11 of which are still operating although TVA support has long since been withdrawn. The projects were proving grounds for the idea, which has been extended so that today in the Tennessee Valley States there are 26 regional libraries, having 645,000 books, serving 900,000 people formerly without adequate library service. States spent $315,000 on regional libraries in 1947. In 1933 there were no regional libraries in these States. In total to 1950, TVA paid about $350,000 for library facilities serving its employees at remote construction camps.

Mr. GORE. At this point in the record the reporter will include pages 38 to 81, inclusive, of the justifications.

(The matter referred to is as follows:)

SCHEDULE B–2.—*Multipurpose reservoir operations (for fiscal years ending June 30, 1951, 1952, and 1953)*

	1951 actual	1952 estimate	1953 estimate
Income (incidental income, statement A)	$222,582	$167,000	$148,000
Expenses:			
Water-dispatching operations	498,238	514,000	540,000
Malaria control	650,180	720,000	690,000
Plant protection and services to visitors	756,117	1,037,000	1,037,000
Operation and upkeep of dam reservations	406,752	229,000	303,000
Operation of reservoir lands	526,739	486,000	514,000
Operation of backwater protection facilities	27,685	28,000	28,000
Engineering investigations and tests	335,250	300,000	274,000
System improvement studies	54,243	34,000	28,000
Other operations	20,929	25,000	29,000
Maintenance of structures and equipment	110,188	102,000	95,000
Maintenance of relocated highways and railroads	83,526	132,000	101,000
Total direct expenses:			
Appropriated funds		2,050,000	2,091,000
Corporate funds	3,469,847	1,557,000	1,548,000
Total	3,469,847	3,607,000	3,639,000
Distribution of administrative and general expenses (schedule B–5)	269,227	241,000	241,000
Total expenses before depreciation (statement A)	3,739,074	3,848,000	3,880,000
Depreciation on multiple-use facilities	2,637,727	2,675,000	2,700,000
Total expenses	6,376,801	6,523,000	6,580,000
Net expense of multipurpose reservoir operations	6,154,219	6,356,000	6,432,000
ALLOCATION TO PROGRAMS			
Navigation operations:			
Net direct expenses	970,701	1,020,000	1,042,000
Administrative and general expenses	80,768	73,000	73,000
Depreciation	747,890	736,000	743,000
Total	1,799,359	1,829,000	1,858,000
Flood-control operations:			
Net direct expenses	975,662	1,030,000	1,049,000
Administrative and general expenses	80,768	72,000	72,000
Depreciation	810,190	829,000	837,000
Total	1,866,620	1,931,000	1,958,000
ower operations:			
Net direct expenses	1,300,902	1,390,000	1,400,000
Administrative and general expenses	107,691	96,000	96,000
Depreciation	1,079,647	1,110,000	1,120,000
Total	2,488,240	2,596,000	2,616,000
Total net expense	6,154,219	6,356,000	6,432,000

MULTIPURPOSE RESERVOIR OPERATIONS

(Schedule B–2)

TVA's chain of reservoirs is managed primarily for purposes of navigation, flood control, and power. Consistent with these purposes, the reservoirs also serve other TVA programs as well as programs of other public agencies. The activities included generally relate to the management, operation, and maintenance of 18 multipurpose reservoirs. These reservoirs have approximately 10,000 miles of shore line. TVA has custody of approximately 450,000 acres of land surrounding the reservoirs.

TVA's reservoir operating costs are carried in a single program category although for accounting purposes, they are distributed to the free primary programs—navigation, flood control, and power. A comprehensive study of the distribution of these expenses was recently completed, resulting in a distribution of approximately 30 percent to navigation, 30 percent to flood control, and 40 percent to power. The navigation and flood control portions are financed from appropriated funds and the power portion from power proceeds.

WATER DISPATCHING OPERATIONS

The Tennessee is the world's largest controlled river system. It provides more than 14 million acre-feet of useful controlled storage, a 650-mile channel for 9-foot draft navigation, and has installed hydroelectric generating capacity of more than 2½ million kilowatts. The system consists of 29 major projects, including 5 dams on the Little Tennessee River which are owned and operated by the Aluminum Co. of America in accord with water control instructions from TVA. All projects are operated as a unit through TVA's water dispatching office at Knoxville, Tenn. Suboffices are located at appropriate points in the Valley.

Proper dispatching of water to serve navigation, flood control, and power activities requires knowledge of the probability of rainfall, of how much rain has fallen, how much water is flowing in all of the streams, how fast it is moving, and when it will reach the reservoirs; and finally, once in storage, how and when it will be dispatched through the system. TVA and the United States Geological Survey cooperate in maintaining a network of stream flow gaging stations throughout the valley. TVA also has a cooperative agreement with the United States Weather Bureau for special forecasts for the Tennessee Valley. Gate settings at dams to secure proper releases of water are performed as part-time tasks of personnel regularly employed at the dams.

The 1953 estimate of $540,000 is $26,000 above the 1952 level, but no increase in regular operations is planned. To comply with regulations of the Federal Communications Commission, TVA must replace existing radio equipment used in water dispatching operations with equipment operating at a higher frequency. The conversion is estimated to cost about $150,000, of which $25,000 is included in the 1953 estimate.

MALARIA CONTROL

This program provides for control of malaria associated with TVA reservoirs. Operations include fluctuation of the water level to control marginal vegetation and to strand and kill mosquito larvae, elimination of shore line vegetation, larvicidal applications, and DDT spraying.

The 1953 estimate for malaria control activities is $690,000, a decrease of $30,000 from the 1952 budget. The reduction results principally from continued curtailment of shore line maintenance and reduction of maintenance on dewatering projects. Repetitive control measures will be limited to those reservoirs where circumstances are most conducive to the breeding of malaria mosquitoes. Control measures on other reservoirs are not scheduled but will be done on an emergency basis when necessary.

Investigations will be continued to appraise the effectiveness of malaria control techniques and to develop more efficient and economical control methods. Attention will continue to be given to improving aircraft techniques for distribution of DDT and related substances to destroy adult mosquitoes and larvae. Research conducted by the United States Public Health Service indicates that some mosquitoes acquire resistance to DDT and TVA plans further study of this matter. Routine malaria mosquito inspections are being carried out by State and local health agencies on a reimbursable basis. Routine seasonal blood film surveys have been discontinued and appraisals of malaria incidence are being made largely by the regular investigations of public health agencies.

PLANT PROTECTION AND SERVICES TO VISITORS

Under normal conditions this category includes visitor reception services at TVA multipurpose dams and limited guard service to protect the properties from damage from fire and theft. The 1952 and 1953 estimates of $1,037,000 for each year provide for intensified plant protection measures requiring additional public safety officers over the number used under normal conditions. The estimates are based on a minimum plan for protection of the 18 multipurpose dams developed in coordination with defense agencies. This plan costs substantially less than the one used during World War II.

OPERATION AND UPKEEP OF DAM RESERVATIONS

The 18 multipurpose dam reservations include 13,625 acres of land and 95 miles of gravel and hard-surface roads. A variety of operations are necessary for the upkeep of these roads and grounds. Roads parking areas, and walkways

are maintained; the public-use areas around the dams are graded, planted, and mowed; and signs and guardrails are painted and replaced as necessary. Of the total acreage, about one-half is in natural or forest cover, about one-fourth is maintained as meadow or pasture, and about one-fourth is maintained for intensive public use.

The 1953 estimate for these activities is $303,000, which is $74,000 above the 1952 budget but $103,752 below actual expenditures in 1951. Because of the over-all reductions in the 1952 budget, temporary standards of maintenance and repair were adopted which were considered the minimum required to protect the investment in roads, grounds, et cetera. These temporary standards cannot be continued through 1953 without loss of investment and the certainty of much higher maintenance costs in later years. The 1953 estimate provides for standards of maintenance more consistent with sound long-range management of these properties.

OPERATION OF RESERVOIR LANDS

TVA owns about 450,000 acres of land around the margins of the multipurpose reservoirs. These lands are used by a variety of agencies and private groups for wildlife refuges, parks, farming, grazing, and other purposes. Continuous surveillance is necessary to assure that the various uses do not conflict with the primary purposes of the reservoirs and are consistent with full public use of the reservoirs. The lands held by TVA are reviewed periodically in the light of changing program requirements; lands no longer necessary for program purposes are sold and selling costs are included in this category. The 1953 estimate of expenditures for operation of reservoir lands is $514,000—an increase of $28,000 over 1952 but a decrease of $12,739 from 1951 actual expenditures.

The licensing of reservoir lands for agricultural and grazing purposes involves the review of applications, approval of rental rates and crop plans, and supervision of licensed areas. Approximately 1,650 licenses will be issued in 1953 for use of about 42,000 acres for such purposes. Forest land operation includes provision of forest fire and trespass control, reforestation, and harvesting and marketing of timber and other forest products. Approximately 1,600,000 board feet of timber is projected for sale in 1953.

The increase in the 1953 estimate over 1952 provides for surveying and mapping needed in the land sales program. It is possible to continue land sales in 1952 with only small outlays for surveys and mapping because a number of tracts for which surveys have been made are yet to be sold. Continuation of land sales in 1953 requires that this work be resumed.

The 1953 estimate of income expected to be realized from operation of reservoir lands is $137,000, compared with the 1952 estimate of $156,000. This decrease results from reduced timber sales and land rentals, reflecting the progress made in the disposal of surplus land. Estimates for sales of reservoir lands are $397,000 in 1953 as compared with $341,000 in 1952. This income is treated as a reduction in the investment in the reservoirs, and hence is not reflected in the estimates for the operation of reservoir land.

OPERATION OF BACKWATER PROTECTION FACILITIES

At seven locations, dikes and pumping stations are required to prevent backwater from TVA lakes from overflowing commercial and residential areas. The 1953 estimate for the maintenance and operation of these installations is $28,000. Approximately half of this amount covers the cost of electricity to operate the pumping stations, and the remainder provides for other operating expenses and items of repair and maintenance.

ENGINEERING INVESTIGATIONS AND TESTS

This activity includes a variety of engineering work necessary to the operation of the multipurpose system. Investigations are made of alleged damages from changes in water levels. Siltation and general hydraulic studies are made and the performance of hydraulic features of dams is appraised. Topographic maps of dam reservations are prepared and land records are revised to show land sold or transferred to others.

SYSTEM IMPROVEMENT STUDIES

Continuing studies are necessary to improve the water-control system in the Tennessee Valley and to identify factors affecting further development of the water resources of the region. These activities include maintenance of a current inventory of the water resources of the Tennessee River Basin; preliminary study of possible future project sites and costs; geologic investigations on tributary streams; compilation and application of data for determination of the fundamental hydraulic features on which the planning, design, construction, and operation of the dams are based; and preparation and analysis of reports on special design features which will serve as reference and aids for future design work. The 1953 estimate for this work is $28,000, a decrease of $6,000 from the 1952 budget.

OTHER OPERATIONS

This category covers miscellaneous minor operating activities consisting principally of cleaning reflectors and replacing light bulbs on dams and along roadways at the 18 multipurpose projects. The 1953 estimate is $29,000.

MAINTENANCE OF STRUCTURES AND EQUIPMENT

Maintenance activities in this category consist mainly of painting spillway gates, maintaining spillway-gate operating devices, and other activities required to keep the general facilities at the 18 multipurpose dams in good operating condition. The costs vary from project to project and from year to year. The estimate for 1953 of $95,000 reflects a slightly smaller program of painting spillway gates than is required in 1952.

MAINTENANCE OF RELOCATED HIGHWAYS AND RAILROADS

At the time of construction, TVA entered into contracts with owners of highways and railroads for relocation required by raising the water levels. In certain of these contracts TVA is required to maintain fills which may be affected by adjacent water. Perpetual maintenance is required at some locations and long limited-term maintenance at others. The estimated cost to TVA of complying with the provisions of these contracts is $101,000 in 1953.

SCHEDULE B–3.—*Fertilizer and munitions development (for fiscal years ending June 30, 1951, 1952, and 1953)*

	1951 actual	1952 estimate	1953 estimate
Income:			
Sales of fertilizer:			
Federal agencies	$1,165,747	$2,580,000	$2,244,000
Cooperatives and other distributors	14,939,898	16,924,000	17,813,000
Total sales of fertilizer	16,105,645	19,504,000	20,057,000
Income from partial payment plan		230,000	228,000
Sales of byproducts and other income	849,718	521,000	519,000
Total income (statement A)	16,955,363	20,255,000	20,804,000
Expenses:			
Research on products and processes (appropriated funds)	1,018,258	1,113,000	1,284,000
Basic agronomic research [1] (appropriated funds)		161,000	219,000
Production and distribution (corporate funds):			
Cost of products including depreciation	16,013,495	16,490,000	16,436,000
Other expenses	320,594	662,000	671,000
Gross cost of production and distribution	16,334,089	17,152,000	17,107,000
Less products transferred:			
Transferred to farm test demonstrations below		702,000	657,000
Transferred to other TVA programs	1,226,192	135,000	186,000
Less depreciation included above	962,485	1,140,000	1,140,000
Total direct cost of production and distribution	14,145,412	15,175,000	15,124,000
Farm test demonstrations: [1]			
Supervision of test demonstrations (appropriated funds)		359,000	385,000
Fertilizer used:			
Appropriated funds		472,000	429,000
Corporate funds		230,000	228,000
Total farm test demonstrations		1,061,000	1,042,000
Total direct expense:			
Appropriated funds	1,018,258	2,105,000	2,317,000
Corporate funds	14,145,412	15,405,000	15,352,000
Total	15,163,670	17,510,000	17,669,000
Distribution of administrative and general expenses (schedule B–5)	548,510	581,000	610,000
Total expenses before depreciation (statement A)	15,712,180	18,091,000	18,279,000
Depreciation on chemical facilities	1,016,643	1,195,000	1,195,000
Total expenses	16,728,823	19,286,000	19,474,000
Net income from fertilizer and munitions development	226,540	969,000	1,330,000

[1] Included under "Resource development activities" in 1951.

FERTILIZER AND MUNITIONS DEVELOPMENT

(Schedule B–3)

Principal peacetime objectives of the TVA fertilizer program are to develop new and improved fertilizers and processes for their manufacture and to test and demonstrate the value and best methods of fertilizer use. As provided by the TVA Act, these objectives pertain to the Nation at large rather than to any one region, although the activities are intensified in the Tennessee Valley and integrated with other regional development activities. The activities include technological process research, experimental large-scale production, testing of the products under controlled conditions, and farm test-demonstrations. While TVA is predominately concerned with fertilizers from the standpoint of their value in soil-conserving systems of agriculture, distribution of the entire output of the TVA plants, subject to munitions requirements, can be adjusted as necessary to fit national agricultural policy during the emergency period.

The TVA Act contemplates that in time of national emergency the use of TVA's chemical research and production facilities for national defense shall be given priority over other uses. During World War II, the TVA plants turned out substantial quantities of munitions and other war-essential chemicals, and car-

ried out a number of research and development projects in cooperation with defense agencies. At present TVA's facilities are again being used in defense preparations. TVA was the first to supply phosphorus for defense uses during the present emergency. The TVA staff is being employed to aid the Army in completing development and construction of a classified facility in the chemical plant area at Wilson Dam. The TVA production staff is being expanded and trained to provide for operation of the facilities for the Army when completed. Estimates for this activity are included elsewhere under reimbursable services. Development and demonstration of new fertilizer processes, particularly those that require little sulfur—which is in short supply—have continued although at a reduced rate because of the priority of defense requirements.

Appropriated fund expense in 1953 is estimated at $2,317,000 and covers the cost of research on products and processes, basic agronomic research, and farm test demonstrations. Corporate fund expense (the cost of manufacturing and distributing fertilizer and munitions) is estimated at $15,352,000. Income, almost entirely from the sale of fertilizer and munitions, is estimated at $20,804,000. After provision for depreciation ($1,195,000) and distributed administrative and general expenses ($610,000), total program expense is $19,474,000 and net income is $1,330,000.

RESEARCH ON FERTILIZER PRODUCTS AND PROCESSES

The three usual steps in the technological development of a new fertilizer process are (1) small-scale or laboratory research, (2) process development or pilot-plant experimentation, and (3) full-scale plant demonstration. The first two steps are described below while the third step is budgeted under "Fertilizer production and distribution."

Information concerning fertilizer technology obtained by TVA over a period of 18 years is being supplied to fertilizer and allied companies in substantial amounts by publications in technical journals and TVA reports, answering letters of inquiry, and visits to the plants by industrial representatives. Further help is given by showing or lending designs, drawings, and technical data.

Periodic conferences are held between TVA and the United States Department of Agriculture fertilizer technicians to exchange information and assure coordination of research. Also, TVA and the National Fertilizer Association have recently entered into an agreement providing for periodic exchanges of information and advice on problems and findings related to fertilizer research, production, distribution, and use.

Knowledge gained in phosphorus and nitrogen technology is applied not only to fertilizer but to the related field of munitions. At the request of the Department of Defense and industrial concerns, members of the TVA staff have been conducting reimbursable research and experimental tests directly related to national defense. This work has made it necessary to defer part of the regular program work originally planned for 1951 and 1952. No reimbursable work is presently scheduled for 1953. Plans for 1953 provide for increased activity in studies of fertilized production technology. While the 1953 estimate of $1,284,000 for research on fertilizer products and processes is $171,000 above the 1952 budget, the total research staff will remain at the 1952 level.

Defense requirements have added burdens to the fertilizer producers in the way of shortages in transportation, electric power, materials, and equipment at a time when greater agricultural production is demanded. One of the most serious shortages is that of sulfur, which is used in great quantities for manufacturing superphosphate and ammonium sulfate fertilizers. The Special Subcommittee on Fertilizer and Farm Machinery of the House Committee on Agriculture held hearings February 20–23, 1951, relative to fertilizer, sulfur, and sulfuric acid. One of the recommendations of the subcommittee was that "research be intensified to discover whether there is a practical and economic method of producing phosphate fertilizer without using sulfuric acid or with proportionately reduced quantities of that material."

TVA processes for producing phosphate fertilizers, now in full-scale use, do not require sulfuric acid. Several other processes that are, or have been under development by TVA require no sulfuric acid or lesser amounts than are used in commercial practices. Greater emphasis will be placed on development of those processes that may be utilized by industry as replacements of or supplements to production methods hampered by sulfuric acid shortages. The Atomic Energy Commission is interested in these processes because of their possible effect on the recovery of uranium from phosphate rock.

Small-scale research

Small-scale research includes: (1) Background research consisting of observation, collection, and organization of facts to provide a foundation for subsequent research; (2) exploratory tests of proposed processes and techniques to determine whether the proposals warrant further research; and (3) applied research to devise new or improved products, processes, or techniques. Examples of small-scale research planned for 1953 are given below.

It is estimated that about 80 percent of the phosphate applied as fertilizer in the valley is converted by the soil into forms not readily assimilated by plants. An application of physical chemistry techniques to the phenomenon of phosphate fixation in the soil has yielded encouraging results. This and related studies will be continued through 1953. The results are expected to clarify some of the obscure phosphate-soil-plant relations and provide a basis for the development of more effective fertilizers.

The shortage of sulfur for the manufacture of sulfuric acid has stimulated world-wide interest in fertilizer processes in which rock phosphate is broken down with nitric acid. TVA has pioneered the development of such processes in this country. Basic information on the rock phosphate-nitric acid-ammonia system is appearing in the European literature and is being followed closely. These fundamental studies are bringing to light possibilities for the development of other phosphate-nitrogen fertilizers. This information together with that obtained in TVA research will be utilized in 1953 in experimental studies directed toward development of such fertilizers.

Process development

Process development consists of (1) technical and economic evaluation of small-scale research results with the aim of putting them to practical use; (2) development of the unit operations necessary to define a process and obtain data for a pilot plant; (3) design, construction, and operation of pilot plants; (4) improvement of design features and operating procedures of large-scale plants; and (5) preparation of engineering and economic studies directed toward adoption of satisfactory processes by private industry. Examples of process development work planned for 1953 are given in the following paragraphs.

Nitric acid processes.—Pilot-plant-scale studies will be made of a process through which dicalcium phosphate fertilizer and ammonium nitrate are produced as separate products from rock phosphate, nitric acid, and ammonia. This process is one of a group of related processes being studied by TVA for the production of fertilizers by methods that involve the use of nitric acid to decompose rock phosphate, and is of significance because neither sulfuric acid nor phosphoric acid is required Small-scale tests have indicated the process to be technically feasible and economically promising. In addition, the small-scale work has indicated that a considerable portion of the dicalcium phosphate can be produced in a nearly pure form suitable for feeding to animals, which would enhance considerably the economic attractivenes of the process.

Two related fertilizer processes that involve the use of nitric acid for decomposing rock phosphate already have been satisfactorily developed through the pilot-plant stage, and a third process currently is being studied in the pilot plant. Through these processes, compound fertilizers of high plant-food content containing phosphate, nitrogen, and, optionally, potash are produced. The two processes on which work has been completed require only about half as much sulfuric acid as is required per unit of available P205 in the manufacture of superphosphate. The third process does not require sulfuric or phosphoric acid; instead, potassium sulfate is used to insure a product of satisfactory physical properties.

Several papers describing these processes and the research results have been published. Much interest has been shown by industry in these processes, and available experimental data have been given industry for use in evaluating the processes for their adoption.

Wet process for producing phosphoric acid.—Emphasis will also be placed on the development of methods for improving the wet proces for making phosphoric acid. Small-scale work has shown that low-grade phosphates can be used as a raw material in the production of phosphoric acid by the wet process, which involves treating phosphate rock with sulfuric acid. The work also has shown that this phosphoric acid can be used in treating either high- or low-grade phosphates to produce an ammoniated phosphoric fertilizer. The process shows promise of being economical for plants located near deposits of low-

grade phosphates. Construction of a pilot plant for further study and development of the process will be completed early in fiscal year 1952. It is expected that the pilot-plant study of this process will be completed in fiscal year 1953. The results of this work will be used in making reliable technical and economic appraisals of the process. Studies also are planned of a process for the recovery of sulfur from calcium sulfate that is produced in the manufacture of phosphoric acid by the wet process.

TVA expects to complete small pilot-plant studies of the use of wet-process phosphoric acid in the production of diammonium phosphates, of the production of a highly concentrated nitrogen-phosphate fertilizer through the reaction of ammonia with P_2O_5, and of the feasibility of continuously ammoniating superphosphates. The process for the production of dicalicum phosphate from rock phosphate and phosphoric acid will be investigated on a pilot-plant scale; an important advantage of this process is that less high-cost acid is required than in the manufacture of concentrated superphosphate.

BASIC AGRONOMIC RESEARCH

TVA cooperates with State experiment stations in the conduct of laboratory, greenhouse, and field-plot tests to determine under controlled conditions the relaive efficiency of TVA fertilizers. The work is closely coordinated with research on products and processes and with farm test demonstrations. The 1953 estimate is $219,000 compared to the 1952 budget of $161,000.

Two new research projects are planned for 1953—studies of the need for minor nutrient elements and of the most economic rates of fertilization. TVA fertilizers generally have not included the so-called minor nutrient elements, but the possibility of adding some of them to the nitraphosphates is being considered. This requires more precise information than is now available as to the need for such elements. Boron and zinc deficiencies, in particular, appear to be more widespread than previously recognized. TVA plans to initiate special studies of these minor elements in 1953 in cooperation with six of the valley State experiment stations.

Research results with some fertilizers have indicated quite marked differences in effectiveness with different rates of application and have shown the need for additional research on application rates. To determine more precisely the most economic application rates for the various fertilizers on different soils, TVA plans to start studies with three of the valley State experiment stations in 1953. This research should contribute to a more efficient use of scarce fertilizers as well as to increased farm production.

In addition, TVA will continue, at about the going level, cooperative work underway with State experiment stations in the seven valley States and four other States, each representative of a major soil region. Most of this work is concerned with the evaluation of major nutrient elements in TVA fertilizers. These elements must be evaluated singly and in combinations on a variety of crops and soils. The major research emphasis planned for 1952 and 1953 is described below:

Nitraphosphates.—The nitraphosphates are nitrogen-phosphate fertilizers made with varying proportions of either element. Potash may be added during the process to produce a "complete" fertilizer. Products from pilot-plant operations will be used in experiment station tests. Representative grades to be tested include 17–22–0, 11–11–11, 12–12–12, and 14–14–14. These materials were available from pilot plants for the first time in 1949, and tests have been rather limited. Tests will be made with a variety of crops, with particular emphasis on determining the suitability of these fertilizers for forage crops, grass-seed production, and specialty crops.

Calcium metaphosphate.—The material is currently being produced in a large-scale unit. Research emphasis in 1952 and 1953 will be on determining the suitability of calcium metaphosphate on the calcareous soils of the West.

Fused tricalcium phosphate.—The product has been made by TVA in a demonstration-scale plant for several years. Tests to measure more accurately the residual effects of fused tricalcium phosphate will be continued in 1952 and 1953.

Other fertilizers.—Limited field experiments are planned with phosphogypsum slag, diamonium phosphate, dicalcium phosphate, calcium silicate slag, and new products which may come out of process development work.

FERTILIZER PRODUCTION AND DISTRIBUTION

TVA builds and operates large-scale manufacturing units to serve one or more of the following purposes: (1) To demonstrate the technical and commercial feasibility of a new or improved fertilizer process and to encourage its adoption by industry; (2) to supply fertilizers for test-demonstraton use on practical farms; (3) to produce new fertilizers in quantities sufficient for widespread introduction to farmers; (4) to produce fertilizers needed to aid the achievement of improved systems of fertilization and of national agricultural production goals, particularly in periods of emergency; and (5) to supply munitions materials for national defense. Estimated direct obligations for fertilizer production and distribution are $15,124,000 for 1953, compared to the 1952 estimate of $15,175,000. Income is estimated at $20,576,000 for 1953 and $20,025,000 for 1952.

The estimates of fertilizer tonnages to be produced in 1952 and 1953 reflect the priority given to chemical production for defense agencies. For security reasons exact data on defense production are not included in this document. TVA is currently supplying about one-half of the military requirements of elemental phosphorus.

Fertilizers produced by TVA, in excess of amounts required for farm test-demonstrations and other TVA programs, are sold to farmers through distributors who agree to conduct educational programs for securing improved use and to furnish pertinent information concerning fertilizer distribution. Under these arrangements, TVA is obtaining distribution cost data and such information as the results of educational activities, farmer acceptance of new kinds of products, and farmer preferences as to kinds or conditions of materials. Distributors are selected primarily on the basis of their willingness and ability to encourage their customers to use the fertilizers in sound systems of agriculture as agreed upon by the distributors, their state agricultural colleges, the USDA, and TVA. Data on estimated production, distribution, costs, and prices of each of the fertilizers proposed for production in 1953 are summarized below. Production and distribution figures show tons of material. Costs and prices are per ton of material in 100-pound bags, f. o. b. plant. Costs include provision for depreciation. Costs may vary from present estimates in line with general cost trends; prices may vary within the limits of OPS regulations.

	Concentrated superphosphate	Calcium metaphosphate	Fused tricalcium phosphate	Ammonium nitrate
Production, tons	108,000	30,000	40,000	195,000
Plant food content (percent)	48	62	27	33
Distribution, tons:				
Sales to Federal agencies	100			1,000
Sales to distributors	107,100	25,500	17,600	193,800
Used in farm test demonstrations	550	4,010	16,623	
Used in other TVA programs	250	490	5,777	200
Cost of manufacture, per ton	$46.56	$61.69	$25.35	$33.00
Price, per ton	$49.96	$62.00	$22.95	$55.30

Concentrated superphosphate

Production of concentrated superphosphate is projected at a reduced level of 108,000 tons for 1952 and 1953. This quantity represents approximate capacity less the fertilizer equivalent of intermediate materials estimated to be required by other Federal agencies. The shortage of sulfur for phosphate fertilizer production makes it urgent that TVA continue production of this effective concentrated fertilizer during the current emergency. Since only a small quantity will be required for test demonstrations in 1953, most of the product will be sold. In addition to providing urgently needed fertilizer, continuation of concentrated superphosphate manufacture stabilizes the chemical plant operations and permits flexibility in supplying TVA's portion of the phosphorus requirements of other Federal agencies.

The objectives of process development and widespread introduction of this material have been largely attained. As new fertilizer processes are developed by TVA, intermediate products now going into the manufacture of concentrated superphosphate may be used in the new processes with consequent reduction in output of superphosphate.

Calcium metaphosphate

This product developed by TVA is the most concentrated phosphate fertilizer on the market and requires no sulfuric acid in its manufacture. Because of its high plant food concentration, it can be bagged, shipped, and handled at lower cost per unit of P_2O_5 than any other phosphate fertilizer. This fertilizer is currently being produced by TVA in a grateless furnace by a process improvement developed since World War II. The major process development problem remaining is the need for achieving longer periods of continuous operation through improvement of the combustion chamber. Design and operating engineers are intensively studying this problem.

A unit for recovering fluorine from exhaust gases of the calcium metaphosphate furnace is being constructed in 1952 and will be in operation in 1953. Elimination of this possible source of atmospheric pollution is required to complete the development of the process and its demonstration to industry.

Production during 1951 of over 31,000 tons was the highest of any year. Approximately 80 percent of the quantity distributed was sold to familiarize farmers with the material and get more conclusive results on various types of soils. The remainder was used in farm test-demonstrations. From the agronomic standpoint, calcium metaphosphate is especially effective on acid and neutral soils. More data are needed regarding its suitability for use with a variety of crops and for application on dry and alkaline soils. Production and shipments in 1953 are estimated at approximately the present level. Product cost per ton of available P_2O_5 is estimated to be only slightly higher than the cost of concentrated superphosphate; the sales price is set slightly lower than that for concentrated superphosphate because metaphosphate is a relatively new product on the market, farmers generally are unfamiliar with it, and it is sold only for selected uses.

Fused tricalcium phosphate

The fusion process used by TVA for converting raw rock phosphate into a fertilizer does not require the use of sulfuric acid, elemental phosphorus, or large quantities of electric power. Although of lower concentration than concentrated superphosphate and calcium metaphosphate, fused tricalcium phosphate contains about 50 percent more plant food than ordinary superphosphate, which is most widely used. TVA's technical development of the fusion process is practically complete. A new type of hearth has been installed on the No. 2 furnace and it appears much more durable than those previously tried. The No. 1 furnace hearth section is to be rebuilt with a somewhat improved design. Both units are to be operated concurrently in 1953 to permit more economical demonstration of the process and to provide urgently needed phosphate fertilizer.

Until recently, this material has been used solely in TVA programs, and more than half of the 1953 production will be so used. It was offered for sale in November 1951 for the first time in five States within economical shipping distance of the plant. It is particularly suited for application on pasture, hay, and cover crops and is sold only for use on such crops. Sale of the quantity available above requirements of other TVA programs will enable TVA to gain valuable experience in the problems involved in the transportation, storage, handling, and use of the product under sales conditions, as well as help to establish a market for it and encourage adoption of the process by industry.

In 1953, 40,000 tons of fused tricalcium phosphate is scheduled for production in two furnaces of improved design using low-cost natural gas fuel. Estimated cost per ton of plant food is less than for either concentrated superphosphate or calcium metaphosphate. The proposed sales price is related to ordinary superphosphate in the proposed area of distribution with allowance made for the fact that this is an entirely new type of sales material and is recommended at this time for use only on certain crops.

Ammonium nitrate fertilizer

Earlier research and development by TVA, partly in cooperation with the United States Department of Agriculture, led to the promotion of the use of ammonium nitrate for fertilizer when the military demand for the material was apparently satisfied during World War II. This material is now in great demand for use in meeting agricultural production goals. Except for a very small quantity used in other TVA programs, the 1953 production of ammonium nitrate fertilizer will be sold under agreements specifying that its use for soil-conserving purposes be encouraged. Special attention is given to its use in a winter-cover program in the valley.

Production of ammonium nitrate fertilizer at Muscle Shoals is now being accomplished in a full-scale demonstration unit of the continuous vacuum crystallization process. The adoption of this safer and more economical process is the result of research and development work by TVA. At the end of 1951, conversion of the TVA nitrogen fixation facilitates to utilize cheap natural gas was completed. With the change-over, ammonia production has been automatically increased by one-third with consequent increased ammonium nitrate production and reduced product cost. To permit operation of existing nitric acid facilities without being overloaded by this expanded ammonia production, TVA undertook late in 1951 to supplement the present units, built in 1918, with two modern pressure-type units. Installation of the new nitric acid units will reduce the danger of limiting the production of this urgently needed fertilizer through earlier failures of the present units, and will avoid increasing an atmospheric pollution problem. Capacity production of 195,000 tons annually in 1952 and 1953 is estimated, compared with 136,000 tons in 1950 and 1951. Estimated product cost of $33 per ton is approximately 25 percent less than in 1950 and 1951, and the saving is attributable to the first two improvements mentioned above. Anticipated savings in production cost within 3 years will equal the investment in all three major improvements described.

FARM TEST DEMONSTRATIONS

The 1953 estimate for farm test demonstrations is $1,042,000 compared to $1,061,000 in 1952. Income from participating farmers under a partial payment plan is estimated at $228,000 in 1953 compared to $230,000 in 1952. Breakdown of the estimate is as follows:

	1952	1953
Fertilizer	$702,000	$657,000
Contractual payments	226,000	246,000
Other costs	133,000	139,000
Total	1,061,000	1,042,000
Less farmer payments for fertilizer (corporate funds)	230,000	228,000
Net expense (appropriated funds)	831,000	814,000

TVA and the valley land-grant colleges have worked together since 1935 in a cooperative test-demonstration program, a major objective of which is the demonstration of the effective use of TVA's experimental fertilizers by farmers and groups of farmers in improved systems of farm management. Another objective relating specifically to the valley is the improvement of agriculture, forestry, and watershed-streamflow relationships.

In general, only fertilizers considered to be in the experimental stage or on which more information on best methods of use is needed are used in this program. The fertilizers to be used in 1953 are as follows: Fused tricalcium phosphate, 16,623 tons; calcium metaphosphate, 4,010 tons; and concentrated superphosphate, 550 tons. Information needed on fused tricalcium includes such items as (1) the effects of time and method of application; (2) suitability for a greater number of crops under a wide variety of soil and climatic conditions; (3) residual effects on subsequent crops; and (4) fineness as related to handling the material. Additional test-demonstration use of calcium metaphosphate is necessary to obtain further information on its suitability for use on a variety of soils and crops and on its storage and handling qualities. The small amount of concentrated superphosphate will be used on existing test-demonstration farms on calcareous soils where other fertilizers have not responded favorably.

Farms are selected to provide as wide a representation as possible of major soil associations, farm sizes, and types of farming. Test-demonstration farms are planned in 26 States in both 1952 and 1953. In 1953, 3,656 farms are planned compared to 4,399 farms in 1952. By 1954, the number of farms will level off at approximately 3,450. This number will include an average of 20 farms per county for 105 valley counties and 50 farms per participating State in the nonvalley area. In general, the farms selected will participate for a maximum of 7 years. However, a number net to exceed one-fourth of the total number of valley test-demonstration farms may be selected to remain in the program for

indefinite periods. The purpose of this group of farms is to determine and demonstrate the effects of improved fertilization in good farming systems over long periods and through varying economic conditions.

Special analyses and economic studies needed to evaluate properly the results of the test-demonstration program will be intensified in 1953. To aid in these studies, more intensive planning and record analyses will be made on about one-fourth of the test-demonstration farms. Results of these studies should serve as an over-all indicator as to what is happening on all test-demonstration farms. Such studies are of direct interest to the colleges and research organizations with whom TVA collaborates and will be integrated with their farm-research programs, avoiding duplication of work and expense.

TVA will rely more heavily than heretofore on State and local agencies for the conduct of the test-demonstration farms, and generally the land-grant institutions will provide for the selection, planning, administration, and supervision of the farms within their respective States.

In addition to the farms in this category, test-demonstration farms will be used in the integrated development of tributary watersheds and the agricultural development of other areas.

SCHEDULE B–4.—*Resource development activities (for fiscal years ending June 30, 1951, 1952, and 1953)*

	1951 actual	1952 estimate	1953 estimate
Income (incidental income, statement A)	$323,846	$66,000	$63,000
Expenses:			
Agricultural resource development:			
Appropriated funds	2,152,984	251,000	263,000
Corporate funds	259,668	11,000	8,000
Total	2,412,652	262,000	271,000
Forest resource development	703,324	568,000	584,000
Tributary watershed development:			
Appropriated funds		552,000	654,000
Corporate funds		14,000	18,000
Total		566,000	672,000
Mineral resource development	90,607	29,000	27,000
Reservoir development	325,503	240,000	255,000
Public health studies and assistance	30,295		
Industrial development assistance		31,000	30,000
Topographic mapping	347,151	281,000	275,000
Surveys and studies of the Tennessee Valley	287,569	154,000	151,000
Total direct expenses:			
Appropriated funds	3,937,433	2,106,000	2,239,000
Corporate funds	259,668	25,000	26,000
Total	4,197,101	2,131,000	2,265,000
Distribution of administrative and general expenses (schedule B–5)	237,962	208,000	216,000
Total expenses before depreciation (statement A)	4,435,063	2,339,000	2,481,000
Depreciation on general facilities	123,129	118,000	110,000
Total expenses	4,558,192	2,457,000	2,591,000
Net expense of resource development activities	4,234,346	2,391,000	2,528,000

RESOURCE DEVELOPMENT ACTIVITIES
(Schedule B–4)

The 1953 estimate for resource development activities is $2,265,000 ($2,239,000 from appropriated funds and $26,000 from corporate funds). The estimate is $134,000 above the 1952 budget.

State and local agencies are taking increased responsibility for the development of the region's resources. In recent years they have entered new fields and intensified their efforts in existing programs. TVA has encouraged other agencies in the assumption of new responsibilities and, in several cases, has withdrawn from activities which were started with TVA financial support. Research in

food processing and operation of parks along TVA reservoirs are cases in point. Other activities are proceeding rapidly in the same direction.

Because of this progress by State and local agencies, TVA is able to direct its efforts toward new opportunities and critical problems as they arise. This causes fluctuations between years in the expenditure level for the various programs. Special attention is currently being given to the problems in small tributary watersheds. These areas provide an unusual opportunity for integration of TVA's work in water control with other development activities and for the mobilization of the efforts of many agencies around common objectives.

Estimates for the various activities described below are summarized in schedule B–4.

AGRICULTURAL-RESOURCE DEVELOPMENT

Expenditures in 1953 are estimates at $271,000 compared to the 1952 budget of $262,000. Of the 1953 total, $263,000 would be financed from appropriated funds and $8,000, representing income from farmer payments for fertilizer, would come from corporate funds. A planned expansion of research on forage crops and animal industry will be partly offset by decreases in other activity.

The estimates for 1952 and 1953 are substantially below expenditures charged to agricultural resource development in 1951 and prior years, partly due to a decreased scale of activity and partly due to the accounting reclassification of certain activities. Whereas all test-demonstration activities were formerly budgeted under agricultural resource development, the only test-demonstration farms now in this program are those used in the development of problem areas. Test-demonstration farms used in tributary watershed development are budgeted in that category, and the unit test-demonstration program is included within the fertilizer and munitions development category. A major part of the work previously classified as preliminary soil and fertilizer investigations within agricultural resource development is now budgeted as basic agronomic research within the fertilizer and munitions development category.

Economic analyses of valley agriculture, $69,000

This work will be carried on at about the 1952 level. Research on development of improved methods of farm classification will be continued. In studies of grassland-livestock agriculture, special attention will be given to economics of livestock production, processing of livestock products, market trends and structures, and effect on income and employment. General agricultural economic analyses will be continued as a means of identifying problems which should receive further attention and to aid in the conduct of the other agricultural activities described below.

Soil survey, $56,000

The classification and mapping of the region's soils is a cooperative project of the valley State land-grant colleges, the United States Department of Agriculture, and TVA. By June 30, 1951, mapping had been completed in 69 counties and 11 special areas, comprising 75 percent of the valley area. Present plans contemplate mapping of 23 additional counties which lie largely within the valley and which have not been adequately surveyed.

In 1953 surveys will be in progress in one Alabama county and three or four Tennessee counties. Expenditures will be at about the same level as in 1951 and 1952. Of the $56,000 estimate, $34,000 is for contractual payments to State experiment stations.

Agricultural engineering research and demonstrations, $47,000

Beginning in 1952 agricultural engineering work is being curtailed substantially below previous levels and a significant change in these activities is being made. The 1953 estimate provides for continuation of the 1952 activity level.

Plans are now being made to turn TVA's agricultural engineering shop over to the University of Tennessee under an arrangement whereby it will be operated as a regional facility. TVA will pay part of the operating costs through fiscal year 1953, after which the work will be financed entirely by the university. TVA will retain a small technical staff to provide advice on agricultural engineering aspects of various TVA activities, to identify problems needing further attention, and to encourage and advise other agencies and institutions in the conduct of agricultural engineering research and development. When necessary to accomplish important TVA objectives, TVA may make small contractual payments to cooperating agencies.

Research on forage crops and animal industry, $34,000

The 1953 estimate provides for continuation of a cooperative project with the Georgia and North Carolina experiment stations on feed-production systems for use in the mountain areas of the Tennessee Valley and for beginning two new projects.

Expansion of the livestock industry in the valley is hampered by lack of information concerning fertility requirements of promising new forage crops on major soils of the region. TVA proposes to cooperate with the Tennessee State experiment station in a study of the fertility requirements of forage crops. Effects of different rates of fertilization in establishing and maintaining plantings of various forage crops and on yields will be determined. Small plot and pasture studies will be included.

A cooperative project has been scheduled with the Alabama State Experiment Station to study the palatability of new forage crops and the increase in the incidence of bloat, which has accompanied the greater use of highly fertilized pasture.

Of the total 1953 estimate, $20,000 is for contractual payments to State experiment stations.

Agricultural development in problem areas, $65,000

An estimate of $84,000 is proposed for continuation of work in two small areas where there are particularly critical agricultural problems related to water control and use.

The flooding of bottomlands and isolation of upland peninsulas resulting from the construction of Douglas Dam disrupted agriculture and especially the production of truck crops for the canning industry. TVA and the University of Tennessee have done considerable research on the production of vegetables on upland soils in this area. An appraisal of past work has shown the need for more work on the development of pastures and livestock. A special test-demonstration program of about 100 farms will be started in 1952. Special agronomic research will be directed toward the problems identified in the test-demonstration activity.

In Catoosa County, Ga., there are acute problems of excessive runoff of surface water, the flooding of bottomland, and serious erosion of soils. The rural leadership in this area is ready to cooperate with TVA and other agencies in a program to solve these problems. An area test-demonstration covering 150 farms will be started in 1952 in order to bring about needed readjustment of farm management systems.

The total cost of fertilizer used in these areas in 1953 is estimated at $26,000, of which $8,000 will be derived from farmer payments.

FOREST RESOURCE DEVELOPMENT

The 1953 estimate for forest resource development is $584,000 compared to the 1952 budget of $568,000 and 1951 expenditures of $703,324. High priority will be given assistance to landowners and timber operators in increasing their production of the kinds of lumber and timber products most urgently needed for defense.

Regional forestry investigations, $91,000

During 1951 a special survey was undertaken to determine the capacity of the 14,000,000 acres of forest land in the Tennessee Valley to meet national defense needs for forest products. The survey was completed in 1952. Results of this survey and information concerning the capacity of the forests to yield timber suitable for defense needs will be made available to defense agencies, landowners, sawmill operators, and wood-using industries. About 600 requests for information were received in 1951, and this number is expected to increase in 1952 and 1953.

The heavy drain on mature timber, caused by past cutting practices, makes it necessary to use smaller size and lower quality timber. Analyses will be made to show how better timber use may be accomplished. Cooperative forest management investigations will be conducted with the United States Forest Service, State conservation departments, and industrial forest landowners. Investigations of improved forest trees will be continued in cooperation with State agricultural experiment stations. Plans include an inventory and appraisal of industry participation in forestry programs in the valley and a survey of the status of forest management.

Assistance in forest production, $215,000

The forest products industry is a major defense industry in the valley. Many of the 5,000 primary producers are marginal, and their past history shows a cycle of exploitation, intermittent operation, low degree of managerial skill, single products, and low wages. There has been little recognition of the mutuality of landowner and forest industry interest. If these production bottlenecks are to be eliminated, assistance in the form of technical information and demonstrations is needed. Studies will be made on a county-by-county basis in areas where problems occur. Information on selection, harvesting, processing, preservation, and cost and time analyses will be made available. Demonstrations of improved forest practices planned include 5 on log yield; 5 on sawmill efficiency; 6 on air-seasoning of lumber; 4 on sawmill school; 5 on preservative timber treating; and 25 on timber harvesting and marketing.

Forest protection, 15,000

As a result of the completion of cooperative forest fire control demonstrations in Alabama and North Carolina, the estimate for forest protection is reduced from $40,000 for 1952 to $15,000 for 1953. Four-year results from these projects have been a reduction in annual burn and the organization of effective fire control systems which are operated by State agencies. The 1953 estimate provides for a similar demonstration in Georgia in cooperation with the Georgia Forestry Commission and the United States Forest Service. In addition, general assistance in the protection of timber from fire, insects, disease, grazing, and destructive logging methods will be provided.

Valley-wide reforestation, $108,000

This estimate provides for the collection of seed, the production and distribution of seedlings for planting by landowners, and the promotion and coordination of reforestation throughout the valley. The objective is to make productive and protective, as rapidly as possible, the estimated 480,000 acres of eroded land and the 620,000 acres in need of land-use adjustment, and to enhance productivity on 600,000 acres of understocked woodlands which need supplemental reforestation. The $36,000 increase over the 1952 estimate of $72,000 is for the purpose of reopening the Muscle Schoals nursery, which is being held in stand-by condition in 1952. The Muscle Shoals and the Clinton nurseries will provide about 16,000,000 seedlings for the valley in 1953 as compared to 11,500,000 in 1952. About 10,000,000 seedlings will be used in valley-wide reforestation compared to 6,600,000 in 1952. The remaining 6,000,000 will be used in problem areas, watersheds, and by other Government agencies, and the cost charged to appropriate accounts.

Forestry development in problem areas, $103,000

The estimate of $103,000 provides for continuing work under way in six areas and initiation of work in two additional areas having acute forestry problems. Work in these areas will include fire protection, reforestation, timber selection, harvesting and processing, timber operating analyses, demonstrations in grazing damage, erosion control, and timber treating, with special emphasis on increased production of products needed for defense. About 4,500,000 seedlings will be planted by landowners in these eight areas and about 45 demonstrations of various kinds will be conducted.

Typical of the problem areas is the Cumberland-Morgan, Tenn., area, which is 80 percent forested. The forests have been heavily exploited, 44 percent of the area has been burned in the past 5 years, and 30 percent of the gross saw timber is cull and defective. There is much active erosion. Land-use adjustments and reforestation are needed. Landowners, timber industry, and related business interests are being organized under leadership of TVA and State agencies to initiate and apply sustained-yield timber growing and efficient harvest practices.

Wood hydrolysis research, $52,000

Pilot-plant research on production of molasses by wood hydrolysis was initiated in cooperation with the United States Forest Products Laboratory in 1949. Several modifications of the Madison wood-sugar process have been tested in the pilot plant, a technically feasible batch-type process was developed, and economic evaluations are being made. Molasses produced is being used in livestock-feeding tests by State agricultural experiment stations. The molasses can be further processed into feeding yeasts, sugar, and industrial alcohol. Byproducts include pulp for wallboard, furfural, lignin, and other chemicals. The 1953 estimate of

$52,000, which is $21,000 below the 1952 level, provides for research on a new method of wood hydrolysis which should simplify the development of a continuous process.

TRIBUTARY WATERSHED DEVELOPMENT

TVA's program of tributary watershed development is one of coordinated research and development work focused in small tributary watersheds having important water-control problems. The 1953 estimate is $672,000, of which $654,000 would come from appropriated funds and $18,000 from farmer payments for fertilizer. The estimate is $106,000 above the 1952 budget. Several projects started on a small scale in 1952 or late in the year will require additional funds in 1953.

Watersheds are selected for special attention on the basis of such factors as effect on the Tennessee River and its major tributaries, flood damage, soil erosion, economic justification, representativeness of major physical, economic, and social characteristics, and the ability and readiness of local agencies to participate effectively. Among the activities carried on are the determination and demonstration of farm and forestry practices which will result in optimum production and water use; the design and construction of water control structures; and the development of industrial, commercial, and recreational potentialities. Preliminary surveys have been made in a number of tributary watersheds within the valley. During 1952 TVA, in collaboration with the interested agencies, will classify the various watersheds in order of priority.

The success of the work will require active participation of the local people and local, State, and other Federal agencies, and the coordination of their work with TVA's. Improved agricultural and forestry practices and engineering work to improve channel and streamflow characteristics will be essential. Work may also be necessary on other problems such as the protection, production, processing, and use of local products and resources; pollution control, social, economic, and industrial development; and sanitation and public health. An educational program will be built around farm and forest demonstrations. Technical advisory services will be available to farmers, businessmen, and communities. Encouragement will be given to such land-management practices as crop rotations, use of cover crops, contour cultivation, terracing, use of diversion ditches with properly designed outlets, strip cropping, forest fire control, reforestation, and sustained-yield forest management. Special allocations of fertilizer, forest seedlings, and conservation credits from other agencies and institutions will be helpful in securing widespread participation of landowners and others. Hydrological, physical, and economic measures will be an integral part of the program in each watershed.

Basic investigations, $228,000

An effective program of tributary watershed development requires an expansion of research to determine the effects of changes in land use on the quality and behavior of water in the streams. The work planned for 1952 and 1953 is summarized below:

1. Continuation of research already under way in the following small areas:

Waynesville.—Work was started in 1948 on five small watersheds near Waynesville, N. C., to determine the effects of different types of vegetal cover upon hydrological factors including surface runoff, ground-water runoff, and infiltration for soils of the Halewood and Hayesville types which are common in western North Carolina.

White Hollow.—This is a project started 15 years ago on a 1,750-acre watershed in the vicinity of Norris Reservoir. It is designed to study the effects on the hydrology of the watershed of a land management system devoted primarily to watershed protection purposes.

Henderson County, Tenn.—This is a 90-acre watershed established in 1940 to study the effects of reforestation and erosion control measures upon runoff, erosion, and underground storage and movement of water.

Copper Basin.—Research is conducted on two small watersheds in southeast Tennessee to determine whether erosion control and revegetation are feasible in this denuded area.

2. *Single-practice projects.*—In 1952 a project will be set up to determine the effect of various agronomic, agricultural engineering, and forestry practices on the hydrologic properties of watersheds small enough to study single types of cover and to isolate the results of individual practices. This project will be continued in 1953 and another similar project representing a different physiographic situation will be started.

3. *Defined combination of practice projects.*—Projects of this type are designed to study the effect of a sound farming system on the hydrology of a watershed of about 100 to 500 acres in size. Conditions will be controlled as in the single-practice projects but the combined effects of a number of practices used together will be studied. One project will be set up in 1952 and a second project in 1953.

4. *Pilot subwatersheds.*—These are watersheds of about 2,000 acres each of privately owned land distributed among about 20 to 25 farms having a recognizable joint water problem. In each watershed an intensive program of land-use readjustment will be encouraged through the use of fertilizer, technical assistance, and other incentives. Detailed records will be kept. Efforts of land-use changes on the hydrology of the watershed with respect to runoff and sediment will be measured. Changes in land use and management will be correlated with changes in the hydrologic behavior of the watershed. One project will be started in 1952 and continued in 1953.

Development, $444,000

Late in fiscal year 1951 a coordinated field program was undertaken in the Chestuee Creek watershed, located in McMinn, Monroe, and Polk Counties, Tenn. In this watershed of 134 square miles the locally serious problem of bottomland flooding results from excessive runoff, erosion, and channel siltation which could largely be controlled through improved agricultural practices and adjustments in land use. A comprehensive work plan has been developed; farm and forestry demonstrations have been established; base-line data are being collected; hydrologic measurement installations have been set up; and the efforts of various agencies and local groups are being pulled together into a unified program. Work will be expanded in 1952 and 1953. An estimated $240,000 will be required in this area in 1953.

A field reconnaissance has been made of the Beech River watershed in Henderson and Decatur Counties, Tenn. Detailed plans are being developed and it is expected that work will be started during the latter half of fiscal year 1952. Continuation of work throughout 1953 is expected to cost $176,000.

The estimate includes $28,000 for surveys in additional watersheds to provide a basis for planning future work.

MINERAL RESOURCE DEVELOPMENT

Expenditures for mineral resource development are being reduced from $90,607 in 1951 to $29,000 in 1952 and $27,000 in 1953. Only two projects remain in this category.

TVA is cooperating with the University of North Carolina to demonstrate the use of the minerals testing laboratory at Asheville, N. C., as a regional research facility. TVA expenditures are on a gradually declining scale and the 1953 cost is estimated at $10,000. The project will continue through 1955, after which it is expected that the laboratory will be supported entirely by the States.

A process for making lightweight aggregate from local shales and clays has been developed by TVA. One commercial plant is in operation in the Knoxville area. An estimate of $17,000 provides for investigations to determine the suitability of shales and clays in several sections of the valley. Small-scale tests should be completed in 1953; results of the work will be published.

RESERVOIR DEVELOPMENT

Expenditures for reservoir development have decreased from $368,217 in 1950 to $325,503 in 1951 and $240,000 in 1952. The 1953 estimate is $225,000. To aid in obtaining the fullest public use of its reservoirs, TVA carries on cooperative activities in the fields of fish and game, stream sanitation, and recreation. These activities supplement the engineering and management functions involved in operating the reservoir system, and have helped to resolve conflicts between the various uses of the reservoirs.

Fish and game investigations, $65,000

The objectives of this activity are to demonstrate the fisheries and wildlife possibilities inherent in the TVA river development program, to bring about maximum use of these possibilities, and to reconcile fish and game interests with other TVA programs. This requires the maintenance of current data regarding the impounded waters and the reaction of fish and wildlife to their changed sur-

roundings. Information is made available to State and Federal administrators of fish and game resources, fishermen, hunters, and the general public. Close working relationships are maintained with agencies concerned with fish and game development.

The fishery resource of the Tennessee Valley is an important source of protein food. Commercial fishing for rough fish species has been encouraged and considerably expanded. Commercial fishermen now take about 1,500,000 pounds of nongame fish annually in addition to over 10,000 tons of mussel shells (for buttons). The total catch of game fish is about 7,000,000 pounds annually.

The Hiwassee Island Refuge, which is operated by the State of Tennessee, is a good illustration of the effectiveness of the cooperative waterfowl program. In 8 years the wintering population of geese was built from 20 birds to approximately 5,000. Since the lands and water that furnish sanctuaries and food are in TVA's custody, this work can be carried on effectively only with TVA cooperation.

The 1953 estimate of $65,000 is the same as the 1952 budget. As in 1952, field work will be limited to that necessary to keep up to date the most important types of fisheries information.

Stream sanitation investigations, $93,000

Conversion of the river into a series of reservoirs caused profound changes in the water. Operation of the system for navigation, flood control, and power causes wide variations in water quantities and quality. These factors affect the water supplies of cities and industries and must be taken into account by them in planning sewage and waste treatment facilities. Much information about the stream has been accumulated but it requires expansion, interpretation, and adaptation to particular situations. Several of the States have established stream pollution control agencies and many cities and industries are developing an increasing awareness of their stream pollution problems.

TVA can make an especially effective contribution to stream sanitation in the valley in 1953 by gearing its efforts closely to the present interests and efforts of others concerned with the stream pollution problem. The proposed increase of $17,000 over the 1952 budget will make possible more active participation with State pollution control agencies and municipalities in field work directed toward improvement of water quality at major trouble spots in the Tennesseee River system. It will also permit work on situations where information as to stream flows is needed by agencies planning pollution control facilities.

The current program of water quality evaluation will be continued. This activity consists of field inspections to supply current information on water quality at critical points and to permit appraisal of changes in quality as the system of impoundments matures. Particular stress will be placed on cooperative investigations in the Holston River Basin with industries, municipalities, and State agences collaborating.

Financing problems and questions of responsibility are often of overwhelming importance in the decisions of municipalities concerning stream pollution control facilities. A study of governmental aspects of stream pollution control is planned for 1953. The study, made in collaboration with universities and public agencies, will be directed toward answering questions concerning functions, financial responsibilities, and powers of the various agencies concerned with stream pollution control.

Recreation development, $97,000

The use of the reservoirs for recreation is a striking byproduct of the TVA program. In a region already possessing a favorable climate and a variety of scenery, and lying within 500 miles of two-thirds of the American people, the TVA lakes are an important addition to the region's recreation resources. In calendar year 1950 the number of person-day visits to the reservoirs for recreational purposes was estimated to be about 16,645,000. This is an increase of more than 3,000,000 over 1949 and is more than twice the number in 1947. Expenditures from sources other than TVA for recreation facilities and services—boats, mooring facilities, parks, private cottages, sporting equipment, businesses, etc.—totaled more than $27,000,000 through calendar year 1950. This is an increase of more than $6,000,000 during the past year.

In the early developmental period, TVA constructed and operated a few recreational facilities as demonstrations to stimulate States, counties, and cities, as well as private groups, to undertake the development of recreational facili-

ties. These facilities have since been leased or transferred to relieve TVA of continued expense. For a period of years TVA leased dock and resort areas, cabin-site areas, park areas, and construction camps for recreational development by private individuals and organizations, States, counties, and municipalities. Dock and resort areas are now being sold and park areas and construction camps are being transferred to States, counties, and municipalities. This policy supplies even more incentive to private owners and operators to develop their property and expand their services and facilities. An additional effect of the policy has been the assumption by State and local agencies of more and more responsibility for the coordinated recreational development of the region.

The major part of TVA staff efforts in recreation is devoted to administration of existing leases, licenses, and other agreements covering the use of reservoir lands for recreation operations, and to administration of sales and transfers of recreational lands, including interpretation of deed provisions and inspection of properties to insure that such developments comply with deed requirements. To assure the compatibility of recreation developments with the primary water control functions of the reservoirs, limited assistance is given private interests and State and local agencies on technical matters involved in planning recreation facilities. The 1953 estimate of $97,000 is $2,000 below the 1952 budget.

The income expected from the lease of recreational lands and facilities is $36,000 for 1953 compared to $40,000 in 1952 and actual income of $56,519 in 1951. The trend of decreased income results from the sale or transfer of lands formerly operated under leases or licenses.

INDUSTRIAL DEVELOPMENT ASSISTANCE

The estimate of $30,000 provides for a program of industrial research and technical assistance. The industrial expansion stimulated by the defense mobilization has resulted in a greatly increased demand upon TVA for technical industrial development assistance. The number and extent of the requests for industrial location and other types of development assistance have been increasing and promise to remain at a high level. During fiscal year 1950, 66 inquiries from private firms and individuals were handled. During 1951, 117 inquiries of which 102 were from private firms and individuals were handled. This number is expected to increase in 1952 and 1953.

Requests for technical assistance are received from businessmen directly, from State and area development agencies who need help in working with businessmen and industrialists, from valley communities interested in industrial development, and from Federal defense establishments interested in locating facilities in the region. Whenever possible, the industrial-business inquiries are referred to State and area agencies. However, many of the requests for assistance involve TVA programs and have to be handled by TVA itself.

The estimate provides for research and analysis necessary for prompt handling of the requests for assistance. This background research includes such activities as developing data on industrial sites, the availability and cost of fuels, labor supply, and sources and costs of mineral resources and other raw materials. Comprehensive economic-engineering location studies are made to test the economic feasibility and to evaluate the effects on the region of specific types of industrial development, and to develop the necessary facts for interesting private groups or individuals in desirable types of development.

TOPOGRAPHIC MAPPING

An estimate of $275,000 is proposed for topographic mapping in 1953. Expenditures were $347,151 in 1951 and are estimated at $281,000 in 1952. A substantial portion of the time of TVA's mapping organization is being devoted to reimbursable mapping for the Department of the Army and priority is being given to military requests. The 1953 estimate for topographic mapping will provide completed maps in some of the areas where they are most urgently needed.

Complete and accurate topographic maps of the Tennessee Valley are indispensable to TVA in carrying out its activities; are useful to other Government agencies in planning transportation, highway, and other facilities and services; and are helpful to private interests in locating industrial plants, agriculture and logging projects, and mining developments. They will be invaluable in planning new defense facilities and civilian defense programs.

The estimate of $151,000 provides for continuation of regional economic, social, and public administration research at the 1952 level. Continuing staff work is necessary to maintain current information on economic and social trends in the Tennessee Valley; to identify major problems and opportunities in regional development; to encourage coordinated participation of private groups and local governments in all phases of regional development; and to measure and evaluate regional progress. Data of this nature are essential for effective conduct of the various operating programs and for encouraging the regional development efforts of other agencies. Information is obtained and analyzed on such factors as changes in population movement, the expanding use of interstate compacts, developments on State and local finance, community organization, contribution of low-cost power, employment trends, growth of manufacturing, income estimates, and current and long-range economic trends.

Specific lines of research are selected for concentrated attention for a limited time period. Among studies expected to receive special attention in 1953 are a study of the complementary roles of Federal, State, and local government and private enterprise in regional development; a study of the social and economic changes of the rural Negro population of the valley; development of recommendations for improvement in the reporting of State and local resource programs; and an appraisal of TVA experience within lieu of tax payments under section 13 of the TVA Act. Wherever possible TVA enlists the cooperation of regional planning agencies, university research groups, and individual research professors in the planning and conduct of these studies.

Reimbursable Services

The 1953 estimate for reimbursable services is $8,564,000. These services are furnished at the request and expense of other agencies, and in the case of Federal agencies, are based on findings that the use of TVA's facilities and technical staffs results in over-all savings to the Government. Services for other Federal agencies are performed under authority of section 601 of the Economy Act of 1932.

Of the total, $6,200,000 is for the operation of a classified defense facility at Wilson Dam, Ala., for the Department of the Army; $1,540,000 is for mapping services for the Department of the Army, the United States Geological Survey, and the Department of Agriculture; $260,000 is for completion of a bridge across Chickamauga Dam for which reimbursement is received from the Public Roads Administration and the State of Tennessee in accord with Public Law 562; and the remainder consists of various services for other agencies and the loan of personnel.

Schedule B–5.—*Administrative and general expenses (for fiscal years ending June 30, 1951, 1952, and 1953)*

	1951 actual	1952 estimate	1953 estimate
Expenses:			
Board of Directors	$87,418	$92,000	$97,000
Office of the General Manager	79,017	129,000	104,000
Budget staff	84,209	89,000	93,000
Washington staff	50,900	58,000	59,000
Information staff (including technical library service)	173,084	201,000	206,00
Division of Personnel	780,883	949,000	998,000
Division of Finance	927,185	1,106,000	1,165,000
Division of Law	232,172	270,000	280,000
Division of Property and Supply	1,252,635	457,000	532,000
Operation of medical and safety service units	348,889	441,000	485,000
Other administrative and general expenses	129,712	62,000	67,000
Total expenses	4,146,104	[1] 3,854,000	[1] 4,086,000

[1] Beginning with fiscal year 1952, procurement activities and certain other service activities which can be identified with specific projects and programs have been classified as direct expenses in order to associate the costs more closely with the projects and programs served. The total estimates for 1952 and 1953, stated on the same basis as 1951 expenditures, amount to $4,910,000 and $5,226,000, respectively.

Distribution of administrative and general expenses

	1951 actual		1952 estimate		1953 estimate	
	Appropriated	Corporate	Appropriated	Corporate	Appropriated	Corporate
Navigation, flood control, and power program:						
Assets	$1,553,108	$369,619	$1,364,000	$237,000	$1,405,000	$286,000
Expenses:						
Navigation operations	16,636		19,000		17,000	
Flood-control operations	5,725		7,000		6,000	
Power operations		1,026,614		1,018,000		1,078,000
Multipurpose reservoir operations		269,227	145,000	96,000	145,000	96,000
Total expenses	22,361	1,295,841	171,000	1,114,000	168,000	1,174,000
Fertilizer and munitions program:						
Assets	70,647		56,000		54,000	
Expense of fertilizer and munitions development	35,113	513,397	103,000	478,000	113,000	497,000
Resource-development program: Expense of resource-development activities	237,962		208,000		216,000	
General service activities:						
Assets	13,743		13,000		11,000	
Expense of reimbursable services		34,313		110,000		162,000
Total distribution by funds	1,932,934	2,213,170	1,915,000	1,939,000	1,967,000	2,119,000
Total distribution	4,146,104		3,854,000		4,086,000	

Beginning with fiscal year 1952, procurement activities and certain other service activities which can be identified with specific projects and programs have been classified as direct expenses in order to associate the costs more closely with the projects and programs served. The total estimates for 1952 and 1953, stated on the same basis as 1951 expenditures, amount to $4,910,000 and $5,226,000, respectively.

Administrative and General Expenses

(Schedule B–5)

The 1953 estimate for administrative and general expenses is $4,086,000, compared with the 1952 estimate of $3,854,000.

This budget category includes the cost of salaries and related expenses for the Board of Directors; the Office of the General Manager; and the budget, Washington, and information staffs. In addition, it provides for legal, fiscal, personnel, medical, safety, and general management services common to all TVA organizations and functions. The number of employees required for many of these administrative services varies directly with increased program activity. For example, when volume of procurement increases, more employees are needed in the audit and payment of bills; when total employment increases, more personnel and payroll actions are required. These are the types of services which have had to be expanded particularly in the last 6 months to keep pace with extremely difficult construction schedules.

Comparison of the detailed estimates appearing in schedule B–5 shows that the 1953 amounts are at about the 1952 level except for the Divisions of Personel, Finance, and Property and Supply and for the operation of medical and safety service units. The reasons for the increases in these estimates are discussed below.

Division of Personnel

The demands placed on personnel services to staff construction activities are partly shown by the volume of such services during fiscal year 1951. This workload occurred during only 6 months of 1951, whereas it will be required for the full year in both 1952 and 1953. Employment requisitions (over 17,000) increased approximately 140 percent over 1950; applications processed (about 35,000) increased 55 percent; loyalty investigations increased 125 percent; offers of employment (over 18,000) increased 160 percent; and appointments (about 14,000) increased 125 percent. The number of other personnel actions and the work required in maintenance of personnel records increased proportionately. The large growth in number of personnel actions was due not only to the increased number of employees required but was affected by the recruitment

difficulties in a highly competitive labor market. In 1953 the volume of such personnel actions is expected to continue and possibly increase, depending upon general employment conditions and whether greater numbers of employees are called into active military service.

The increase in 1953 over 1952 provides for a training program for steam plant operators in order to be prepared to staff the steam plants as they are completed; for addition of two positions for labor relations work; and for about six positions to bring the examining and records unit to adequate size.

Division of Finance

Like personnel services, fiscal operations have increased sharply as the number of employees has increased. In addition, the workload of the division has resulted from the great increase in procurement activities. During the past year the number of checks issued (over 550,000), for example, has risen 22 percent and the number of vouchers audited (about 142,000) increased 27 percent. Commensurate increases occurred in other fiscal services. In 1952 these services will have to be provided at the increased rate for the full year whereas they were required for only part of 1951. In 1953 some additional increase in this work is expected.

The increase in the 1953 estimate will provide additional staff for plant records, auditing, and accounting work. By 1953 much of the construction work now in progress will be ready to convert to unit records; this will be added to the already heavy backlog of accumulated work of the plant records unit. The cost of auditing has increased because of the larger number of projects at which field audits are made and because the projects are widely separated geographically. By 1953 coal shipments to the steam plants will increase sharply. Two additional positions will be necessary to handle fiscal operations in connection with these shipments.

Division of Property and Supply

This Division furnishes office services to all TVA divisions. It provides office, garage, storage, and related space; contracts for utility services; provides, maintains, and stores office equipment and supplies; provides files auditing, record storage, and disposal services; operates clerical and stenographic pools and training for such employees; operates mail and messenger service; and advises on office methods. The volume of all these services grows as program activities expand.

Some examples of this growth during 1951 follow: office supply issues increased about 22 percent; the volume of mail handled increased about 24 percent; and pieces of office property transferred (interoffice) increased 80 percent and pieces repaired increased 58 percent.

The 1953 estimate of $532,000 exceeds the 1952 estimate by $75,000. About one-third of this increase provides for an intensified program of files audits and inventories and assistance to all TVA divisions in evaluating their records. This work is to insure prompt disposal of unnecessary records and thus save the cost of storing and maintaining them. The remainder of the increase covers employment of additional mesengers to serve increased space occupied by TVA offices; some increased training of clerical and stenographic employees; and three additional positions to perform staff work, recently curtailed, on office standards and methods with particular emphasis on conservation of manpower, materials, and supplies.

Operation of medical and safety service units

TVA's employee health and safety services have been developed to meet the requirements of the construction and operating programs involving a large number of high-risk occupations. During 1951, despite the increase in construction activities, the TVA employee injury rate declined both in frequency and severity and was the lowest for any year of TVA's 18 years of experience. For the second consecutive year, employees of the Akin phosphate mining plant received a national award from the United States Bureau of Mines for operating an open-pit phosphate mine and plant without a lost-time accident during a total of 5½ years of operation.

In 1953 the cost of operation of medical and safety service units is estimated at $485,000; the 1952 estimate is $441,000. About one-half of the increase is for work required for the expanded construction program, primarily for safety engineering and medical service to personnel engaged in power transmission line

construction. The remaining increase provides for a program of screening tests from some 5,000 employees at work locations remote from TVA medical centers. Simple diagnostic procedures have been developed which can be performed at the work locations to screen employees showing evidence of physical conditions requiring medical attention or follow-up. This program will provide at moderate cost substantially the same level of medical services as are provided at the medical units in Knoxville, Chattanooga, and Wilson Dam.

The following table shows man-years of employment for administrative and management services. For 1953 the total man-years estimated to perform these functions has increased 21 percent over 1950. The increase in total TVA employment is over 80 percent (from 12,502 man-years in 1950 to 22,806 man-years in 1953).

	1950	1951	1952	1953
Board of Directors	8.1	8.0	6.9	7.2
General Manager	11.3	12.1	15.9	13.0
Budget staff	10.8	10.2	10.6	11.0
Washington staff	6.5	6.8	6.7	6.9
Information staff:				
Technical library	10.0	9.5	10.0	10.0
Other	12.0	11.6	12.0	13.0
Total, information staff	22.0	21.1	22.0	23.0
Division of Personnel:				
Office of Director and staff branches	31.5	36.1	40.5	42.7
Personnel Office Branch (including examining and records)	90.7	93.7	99.1	107.1
Total, Division of Personnel	122.2	129.8	139.6	149.8
Division of Law	30.2	32.2	34.5	35.7
Division of Finance:				
Office of the Comptroller	11.0	13.7	15.0	16.0
Treasury Branch	10.2	11.2	13.4	14.0
Auditing Branch	62.2	65.8	74.0	77.0
Accounting Branch	28.7	28.6	32.0	34.0
Plant Records Branch	46.6	49.1	53.0	59.0
Total, Division of Finance	158.7	168.4	187.4	200.0
Division of Property and Supply	75.7	70.4	80.9	96.4
Operation of medical and safety service units	54.2	52.2	59.7	64.0
Total	499.7	511.2	564.2	607.0

Change in classification

Since the presentation of last year's budget, TVA has reviewed the content of the budget category "Administrative and general expenses." This review was made for the purpose of removing from this category administrative services which are associated with a particular program rather than serving TVA programs as a whole. For example, the added costs of legal services and consultants connected with alleged fluorine damage cases arising from the operation of the fertilizer plant formerly charged to administrative expense are now charged direct to the fertilizer program. General legal services not specifically identified with a particular program are still classified as administrative expense. A number of small items of this nature have been directly associated with the projects or programs to which they relate.

As a part of this review the procurement function was removed from the administrative expense category in order to relate it more directly to the materials and equipment purchased by charging the expense direct to projects and programs. This one item of expense (estimated at $1,265,000 in 1953) accounts for the major change in the total estimates for the administrative expense category.

Estimates for administrative and general expenses stated on the same basis as 1951 expenditures would total $4,910,000 for 1952 and $5,226,000 for 1953.

SCHEDULE C–1.—*Repayment of investment in power program under provisions of the Government Corporations Appropriation Act, 1948*

Schedule of repayments:		
Repayments required under Government Corporations Appropriation Act, 1948, approved July 30, 1947 (61 Stat. 572):		
On investment at July 1, 1947:		
10-year period ending June 30, 1958	$87,059,810	
10-year period ending June 30, 1968	87,059,810	
10-year period ending June 30, 1978	87,059,810	
10-year period ending June 30, 1988	87,059,810	
		$348,239,240
On additions to repayable investment since July 1, 1947:		
40-year period ending June 30, 1990	17,745,840	
40-year period ending June 30, 1991	23,673,731	
40-year period ending June 30, 1992 (estimated)	121,509,190	
40-year period ending June 30, 1993 (estimated)	233,341,511	
		395,970,272
Total repayments required		744,209,512

	Bond redemptions	Other	Total	
Repayments through June 30, 1953:				
Actual to June 30, 1950 [1]	$7,500,000	$14,000,000	$21,500,000	
Fiscal year 1951	5,000,000	4,000,000	9,000,000	
Estimated fiscal year 1952	5,000,000	5,000,000	10,000,000	
Estimated fiscal year 1953	5,000,000	9,000,000	14,000,000	
Total repayments	22,500,000	32,000,000	54,500,000	54,500,000
Estimated balance of repayable investment at June 30, 1953				689,709,512

[1] In addition to repayments under the provisions of the Government Corporations Appropriation Act 1948, bond redemptions of $8,572,500 and other repayments of $15,059,019 were made prior to fiscal year 1948.

INVENTORIES

The 1953 estimate of $6,409,000 for inventories relates entirely to increases in inventories required to conduct the power program and is to be financed from corporate funds. More than 80 percent ($5,342,000) of the estimate is for supplies of coal at new steam plants. The remaining $1,067,000 is required for increases in inventories of miscellaneous materials and supplies required to maintain the expanding power system.

PAYMENTS TO UNITED STATES TREASURY

As indicated in the Summary of Corporate Financed Budget (pp. 8 and 9), TVA is budgeting $5,000,000 in 1952 for retirement of bonds, $5,000,000 for repayment to the United States Treasury of a portion of the appropriated funds invested in the TVA power program, and $4,047,125 for repayments to the Treasury from surplus nonpower proceeds.

In 1953 an additional $5,000,000 payment is estimated for retirement of bonds, $9,000,000 for repayment of a further portion of the investment in the TVA power program not evidenced by bonds, and $5,457,000 for repayments from miscellaneous receipts originating in programs other than power. The estimates are in accord with the requirements of title II of the Government Corporations Appropriation Act, 1948 (61 Stat. 572) and section 26 of the TVA Act, as amended (16 U. S. C. 831y).

The status of power and nonpower proceeds for 1951, and the estimates for 1952 and 1953 are shown on the following pages:

Power proceeds

	1951 actual	1952 estimate	1953 estimate
Income for year:			
Power operations	$69,773,345	$98,889,000	$115,920,000
Other income	752,028	675,000	14,000
Total income for year	70,525,373	99,564,000	115,934,000
Program requirements:			
Expense of power operations	30,969,891	57,059,000	64,403,000
Acquisition of assets	14,257,845	29,893,000	31,476,000
Power portion of expense of multipurpose reservoir operations	1,408,593	1,486,000	1,496,000
Changes in power inventories	−414,884	2,500,000	6,309,000
Total program requirements	46,221,445	90,938,000	103,684,000
Balance, current year	24,303,928	8,626,000	12,250,000
Balance, previous year	16,512,323	31,816,251	30,442,251
Total available for contingencies and payments to U. S. Treasury	40,816,251	40,442,251	42,692,251
Payments to U. S. Treasury:			
Retirement of bonds	5,000,000	5,000,000	5,000,000
Repayment of investment	4,000,000	5,000,000	9,000,000
Total payments to U. S. Treasury	9,000,000	10,000,000	14,000,000
Balance reserved for contingencies	31,816,251	30,442,251	28,692,251

Nonpower proceeds

	1951 actual	1952 estimate	1953 estimate
Income for year:			
Sales of fertilizer and byproducts	$16,949,095	$20,025,000	$20,576,000
Sale of retired plant	965,379	772,000	799,000
Other income	275,220	127,000	127,000
Total income for year	18,189,694	20,924,000	21,502,000
Program requirements:			
Cost of experimental fertilizer production	14,658,809	15,653,000	15,621,000
Nonpower portion of multipurpose reservoir operations	2,107,899		
Change in chemical inventories	861,370	−180,000	
Bridge construction, H. R. 3182	274,667	205,000	216,000
Total program requirements	17,902,745	15,678,000	15,837,000
Balance, current year	286,949	5,246,000	5,665,000
Balance, previous year	3,760,176	4,047,125	5,246,000
Total available for contingencies and payments to U. S. Treasury	4,047,125	9,293,125	10,911,000
Payments to U. S. Treasury		4,047,125	5,457,000
Balance reserved for contingencies	4,047,125	5,246,000	5,454,000

STATUS OF CONSTRUCTION ON RESERVOIRS AND STEAM PLANTS

Mr. GORE. As a preliminary to questions on the detailed justification of the budget, I wonder if you, Mr. Kampmeier, would, with a pointer, indicate to the committee on the map the reservoirs and the steam plants under construction and briefly give the status of the construction, and such other pertinent information as you think the map would properly disclose to the committee.

I think it may as well all be off the record because the map will not be printed in the record, and the details are in the justifications which have just been inserted in the record.

Off the record.

(Discussion off the record.)

Mr. PHILLIPS. It looks to me as if the red units on the map, which are the generating units proposed in the fiscal year budget that you are now justifying, represent 50 percent of the number of blue units. That seems to me like a fairly large increase in one budget year.

Mr. KAMPMEIER. That is because the blue units represent only a 2- or 3-year program. In other words, they are all units which have been started in the last 24 to 36 months. If all of the units were shown which have already been completed there would be a great many more.

Mr. WESSENAUER. There would be over 100.

Mr. KAMPMEIER. Yes; that is correct. Take now for example, the Kentucky Dam, there are five units in operation there. They are already completed and, therefore, they are not shown separately here by symbols.

Mr. GORE. Your symbols only show those under construction and those requested?

Mr. KAMPMEIER. That is right.

1953 TVA BUDGET

Mr. GORE. I will have a few general questions, Mr. Clapp. I think your statement, plus your insertions in the record, have well disclosed the TVA program for whoever may want to run and read, in a general way.

There is no significant change in the personnel of the TVA as proposed in the 1953 budget, except for construction employees?

Mr. CLAPP. That is correct, Mr. Chairman.

There will be, of course, some increase in operating personnel as steam plants go into operation, and some increase reflected in what we call our staff service, helping to recruit labor for the dams and steam plant projects, relating to buying materials and helping to keep books.

Mr. GORE. No fundamental departure from fixed TVA policy is represented in the budget?

Mr. CLAPP. That is correct, Mr. Chairman.

Mr. GORE. The budget request is some $39,000,000, is it, less than for the present fiscal year?

Mr. CLAPP. Yes, sir; that is right, Mr. Chairman.

KILOWATT CAPACITY

Mr. PHILLIPS. How much current, Mr. Clapp, do you expect to generate from the developments for which you are asking money in the 1953 budget? I was trying to add the amount up in my mind.

Mr. CLAPP. Are you asking for the total amount in the whole system, or the amount which will be added?

Mr. PHILLIPS. Give me the total amount in the entire system as it is today, approximately.

Mr. WESSENAUER. In the present system as of today, Mr. Phillips, we have an installed capacity of 3,653,000 kilowatts.

Mr. PHILLIPS. How much new kilowatt capacity are you asking for in the new budget?

Mr. WESSENAUER. Perhaps I might interject one step in between. We have now under construction additional capacity which would raise that to a total of 6,735,000 kilowatts by the end of 1954. Those are the blue symbols marked on the map which were discussed a few minutes ago.

Mr. PHILLIPS. Would that figure include the request for 1953?

Mr. WESSENAUER. No, sir. The additional capacity requested for 1953 is 1,340,000 kilowatts.

Mr. PHILLIPS. Which would make almost 8 million?

Mr. WESSENAUER. Which would bring the total to approximately 8 million.

Mr. PHILLIPS. It seems to me that is a rapid increase. The point I was getting at was why, in view of the present financial condition of the country, that could not be spread out over a longer time. The urgency is not so great that you have to increase that from three to three plus one in a period of 4 years.

Mr. WESSENAUER. The increase would be over a period of 4 years. The capacity which would be begun in fiscal year 1953 would not come into operation until the calendar year 1955 because of the long time required for the manufacture of the equipment.

Mr. PHILLIPS. How much use can you see right now for that, as opposed, let us say, to a stand-by supply?

Mr. WESSENAUER. As our budget document indicates, we project as of now, with the present program, we would be shy some 170,000 kilowatts at the end of 1954.

Mr. PHILLIPS. Please say that again?

Mr. WESSENAUER. Our present load projection for 1954 would indicate our present program would be shy in the winter of 1954–55 about 170,000 kilowatts. Part of the proposed program is to make up the deficiency which exists as of that time. We now foresee a load increase in 1955 of about 700,000 kilowatts. Judging from past experience of growth and our knowledge of the development taking place or planned to take place in the Valley region, the budget provides a margin of about 7 percent at the end of 1955.

Mr. PHILLIPS. When all of this is completed to which you are now testifying?

Mr. WESSENAUER. Yes, sir.

Mr. PHILLIPS. The entire 8 million kilowatts will give you an expected excess of only about 7 percent?

Mr. WESSENAUER. That is right. Our experience has been that as you come closer to the year the margin diminishes or disappears because of developments which take place in the meantime. When you have to look as far ahead as four years, you have to make allowances in your planning for other developments. As a matter of fact, the Joint Committee on Defense Production indicated in their recent report on electric power that there is more danger of underestimating than of overestimating the electric power requirements; and that the Nation cannot afford to underestimate those requirements. I think the opinion of the authorities which have to be concerned with power supply has been that we should plan ahead, because of the long lead time, to have some margin, because of the developments that could take place in the intervening years which would require a substantial amount of power.

HYDROELECTRIC DEVELOPMENT

Mr. PHILLIPS. Have you reached the end of hydroelectric development?

Mr. WESSENAUER. No; we have not reached the end of hydroelectric development, but we have developed the larger projects on the river. There are other smaller projects which could be developed on the tributaries of the Tennessee. Of course, the Cumberland River, which is being developed by the Corps of Engineers and the power from which is marketed through the TVA system, also provides a source of hydroelectric power.

POSSIBLE TRIBUTARY DEVELOPMENT IN TVA SERVICE AREA

Mr. PHILLIPS. How far would you have to go from the heart of your system to get power development on the tributaries?

Mr. WESSENAUER. Possible tributary development exists on the Clinch River below Norris, on the Little Tennessee near its mouth——

Mr. PHILLIPS. That is all inside?

Mr. WESSENAUER. That is right; it is within our service area.

Mr. PHILLIPS. You said the Cumberland?

Mr. WESSENAUER. The Cumberland is now within the power service area of the Tennessee Valley. In other words, we supply power from our system, including power produced at the Cumberland plants, to most of the region which is drained by the Cumberland River.

TVA ELECTRIC-SERVICE AREA

Mr. PHILLIPS. What is the diameter of your electric service?

Mr. WESSENAUER. Our electric-service area extends from Bristol on the east to Memphis on the west, a distance, perhaps, of some 400 miles in that direction.

Mr. GORE. It is farther than that. I have traveled it too much, and I know. It is nearer 550 miles.

Mr. WESSENAUER. I will put in the exact distance. (The highway distance between Bristol and Memphis is 543 miles.) The area we serve, Mr. Phillips, is about 80,000 square miles.

POWER DEVELOPED BY WATER AND STEAM

Mr. PHILLIPS. How much of your power, when you complete the 8 million kolowatt figure, will be developed by water power, and how much will be developed by steam power?

Mr. WESSENAUER. Roughly about one-half.

Mr. PHILLIPS. It will be half and half?

Mr. WESSENAUER. Yes.

PERSONNEL REQUIREMENTS

Mr. PHILLIPS. I noticed, Mr. Clapp, in your testimony—and I think I quote you exactly—you said, "We have decreased the personnel." Am I right; did you say "decreased" or "increased"?

Mr. CLAPP. We have decreased the personnel in many of these fields of work that the States have taken on.

Mr. PHILLIPS. I was looking at your figures. Your request for next year is 22,806; for last year it was 21,742; and for the year before it was 15,632. Then I kept on going back, and I thought you were having a reasonable increase and not a decrease. Going back to 1946, it was 11,563; in 1945 it was 14,940. Then, for some reason, you must have had a very heavy load in 1944.

Mr. CLAPP. That is right.

Mr. PHILLIPS. You had 22,000 then, which is less than you are asking for next year but is a comparable figure—22,363. I did not understand what you meant by saying you had decreased the personnel. It seems to me you have been increasing from year to year.

Mr. CLAPP. As a general statement, I think the record will show—at least, I intended it so—that our total personnel is going up in direct proportion to the increase in our construction program. The figures you have cited for previous years are a direct index, really, of the volume of our construction work.

Mr. PHILLIPS. The most of that is force account work?

Mr. CLAPP. That is right.

Mr. PHILLIPS. The figures for your permanent positions are 12,643 for next year, 11,592 for the current, and 10,384 for fiscal year 1951. I do not have have it before that. They are lumped in the budget for the previous years.

Mr. CLAPP. Yes.

Mr. PHILLIPS. It still sounds to me as if your argument was a little like that of the man who said he lost on each sale but made it up on the volume of business.

Mr. CLAPP. I hope I did not create that impression. The facts are these: the total number of TVA personnel from the beginning up to the present time and as projected in 1953 will correlate directly with the volume of our construction work, because the great bulk of our construction work is by people we employ and put on our own payrolls. In the course of the history of TVA, the record will also show that the operating personnel has, on the whole, increased, and for the reason that as we build dams and complete power plants, we then engage operating personnel to operate those facilities. So that our operating personnel continues to increase. As reservoirs are added, power plants are added, steam plants are added, these take people to run; therefore, our total operating personnel would show a gradual increase over the years.

Now, the decreases I was referring to were specific instances of eliminating offices and positions which we found through our own analysis we could dispense with in our administrative set-up.

Mr. PHILLIPS. But still the total goes up?

Mr. CLAPP. Still the total goes up; that is right.

Mr. PHILLIPS. Are you suggesting this committee can look forward hopefully to a marked reduction in personnel when you finish construction, then?

Mr. CLAPP. Indeed. When we finish construction, the number of people on the TVA payroll goes down.

Mr. PHILLIPS. Permanent positions?

Mr. CLAPP. Not in permanent positions necessarily, because we complete the steam plants and dams, we have to have people to operate

them, and as we build transmission lines, we have to have people to maintain and control them.

Mr. PHILLIPS. I do not see much basis, then, for the statement as to decreased personnel.

Mr. CLAPP. Whatever I may have said, the point I was making was that where we found we could in a specific function decrease personnel we have done so; and the record will show that. The specific reference I was making to the resources-development function was to the effect that as we get the States and local agencies to employ their own people to carry on the functions which we helped to carry on ourselves, our personnel devoted to that work has decreased and the State and local personnel has increased.

(The following information was submitted for the record:)

TVA employment figures budgeted for 1953 compared with prior years

	1943	1946	1951	1952	1953
Construction	25,500	3,900	8,600	13,900	14,350
Power operations	2,200	2,500	2,925	3,780	4,135
Fertilizer and munitions program	3,000	2,100	1,725	1,675	1,700
Other programs (navigation operations, flood-control operations, multipurpose reservoir operations, and resource development)	2,180	1,790	1,300	1,165	1,180
Reimbursable services (such as mapping work for the Army)	750	350	350	600	775
Administrative services, largely for construction and power operations	961	827	732	622	666
Total	34,591	11,467	15,632	21,742	22,806

AVERAGE SALARY

Mr. PHILLIPS. There is one point this subcommittee can look on with favor. Unlike other agencies that have been before us this year, your average salary, instead of going up, has gone down. It is $4,418 average for the current year as against $4,417 average for next year.

Mr. CLAPP. Mr. Phillips, that may be illusory, although I think not.

Mr. PHILLIPS. That is a saving of $1 on each salary.

Mr. CLAPP. I imagine it could be explained by the different composition of personnel.

ACCESS ROADS TO CABIN SITES SCHEDULED FOR SALE

Mr. PHILLIPS. This committee has quite a problem this year because of the total expenses of the Government for defense and the necessity of keeping down other expenses, unless we are going to have a $14 billion deficit, which would be disastrous. I was wondering about items like this in your budget—spending $33,000 for work on roads to reach cabin sites.

Mr. CLAPP. Let me explain the economy of that item. We have some lands that were acquired around reservoirs when we were building them and getting ready to flood them. To avoid uneconomical severence damages, together with road relocation problems and the like, we sometimes purchased more land than the minimum required. We saved money this way. Now we are classifying some of that land as recreation areas and selling it off at public auction for cabin sites.

Mr. PHILLIPS. Can we make any money that way?

Mr. CLAPP. If we build roads to those areas, we can get enough more for the land to recover the amount we spend on the roads for access. In each case we get the county in advance to agree to maintain the roads, so it is not a continuing expense.

Mr. PHILLIPS. Does that money go into the Treasury or into your revolving fund?

Mr. CLAPP. It goes into our manpower revolving fund for payment into the Treasury as miscellaneous receipts.

PHOSPHATE HANDLING, BLENDING, AND DRYING FACILITIES

Mr. PHILLIPS. I notice the item of $80,000 on page 23 for handling phosphates. I suggested last year, I think, you could increase the cost of your fertilizer a little bit and recover more money than you are getting now.

Mr. CLAPP. The item you refer to is a capital item for equipment to complete some improvements we are making.

Mr. PHILLIPS. It is not a handling item; it is an equipment item?

NET INCOME FROM FERTILIZER AND MUNITIONS DEVELOPMENT

Mr. CLAPP. It is not what you would call a handling charge. It is equipment for handling and processing the phosphate fertilizers. You will notice following the table in the budget justification it describes the chemical operation, and on the fertilizer and munitions program we actually show a net revenue.

Mr. PHILLIPS. What page?

Mr. CLAPP. Page 44; we show the revenues to the extreme right of the table.

Mr. PHILLIPS. Do you mean you are going to have a net revenue of $1,330,000?

Mr. CLAPP. That is right.

Mr. PHILLIPS. Probably by not charging in a normal overhead?

Mr. CLAPP. On the contrary, all applicable overheads are charged in there.

Mr. PHILLIPS. Administration?

Mr. CLAPP. Yes, sir; you will notice in the right-hand column about five lines from the bottom an item of $610,000 for distribution of administrative and general expenses. It is the fertilizer and munitions development program portion of the administrative and general expenses. Also you will notice this statement makes allowance for depreciation on chemical facilities.

Mr. PHILLIPS. Over how many years? It is $1,195,000. So what do you have in there—about $12 million?

Mr. CLAPP. No. Our total chemical plant is in the neighborhood of $32 million.

Mr. PHILLIPS. You are depreciating it over 30 years?

Mr. CLAPP. Yes. Of course, some items of equipment would be set up in the depreciation catalog to depreciate at a much faster rate than that and some at a less rapid rate, but it is a fair and accurate depreciation charge.

Mr. PHILLIPS. Anyway, it is encouraging. It is about 50 percent greater than the net profit last year and about five times the profit 3 years ago. Maybe we had better put more emphasis on the fertilizer business and less on the power business.

Mr. CLAPP. May I make a comment right on that point? We appreciate the fact that you are pleased with the net we show. On the other hand, that net could indicate that we are not doing the right kind of job in the fertilizer and munitions development program, because we may not be experimenting enough. Actually we are, and we are pricing these products in a way that will on the overall basis give us a net; but there will be some years and there have been some years in the past when we have shown a net expense figure. I am sure we can show that was not due to any mismanagement or bad pricing policy but due to the fact we are carrying out the type of research job we are supposed to carry out. That job is to develop new processes and to adapt them to large-scale operating units from pilot-plant experience and that, of course, increases our operating cost.

FARM TEST DEMONSTRATIONS

Mr. PHILLIPS. How much have you increased your farm district demonstration cost, and what are you proposing to increase your farm district demonstration cost over the current year?

Mr. CLAPP. The actual number of farms shows a decrease, and the amount of money——

Mr. PHILLIPS. The amount of money is a little less—about $17,000 less than last year.

Mr. CLAPP. That is right.

Mr. PHILLIPS. What I meant was the increase in the program itself in size.

Mr. CLAPP. The program goes down in size, and it fits the trend that I described in my general statement. The number of those demonstrations farms will be smaller; the intensification of record analysis on the operations of those farms will be greater; but the responsibilities of the States in giving them supervision will be greater and the TVA responsibility will be less.

Mr. PHILLIPS. That is all, Mr. Chairman, except I call the attention of my friend from Tennessee, Mr. Gore, to the fact that I can hear echoes in my mind of the early days of this program when it was a great hydroelectric program, whereas in next year's budget, of the $105 million for construction, approximately $88 million goes for steam plants, and in the $62 million to begin construction about $59 million goes for steam plants.

Mr. GORE. Which illustrates, Mr. Phillips, how important it was that we establish the precedent and principle involved in the New Johnsonville steam plant.

Mr. PHILLIPS. You do not think it illustrates the well-known principle in legislative matters of the camel's head under the tent?

Mr. GORE. I think it illustrates that here is an agency that has contributed enormously to the well-being of our country and the defense capacity of the country.

Mr. THOMAS. Let me see if I can summarize this in a few sentences. First, I want to join Chairman Gore and the other members of the

committee in the good, warm feeling and realization that you are back here and back on your feet.

Mr. CLAPP. Thank you. I am glad to be back.

Mr. THOMAS. Certainly your opening statement to Chairman Gore for the record was most worth while. There are too many people who have forgotten the entire picture, particularly the functions of TVA other than and in addition to power activities.

REPAYABLE INVESTMENT

If you will turn to the table on page 78 at this time, I think Mr. Gore has already put it in the record, but I would like to insert it again at this point.

(The matter above referred to is as follows:)

SCHEDULE C.—*Repayment of investment in power program under provisions of the Government Corporations Appropriation Act, 1948*

Schedule of repayments	Bond redemptions	Other	Total
Repayments required under Government Corporations Appropriation Act, 1948, approved July 30, 1947 (61 Stat. 572):			
On investment at July 1, 1947:			
10-year period ending June 30, 1958			$87,059,810
10-year period ending June 30, 1968			87,059,810
10-year period ending June 30, 1978			87,059,810
10-year period ending June 30, 1988			87,059,810
			348,239,240
On additions to repayable investment since July 1, 1947:			
40-year period ending June 30, 1990			17,745,840
40-year period ending June 30, 1991			23,373,731
40-year period ending June 30, 1992 (estimated)			121,509,190
40-year period ending June 30, 1993 (estimated)			233,341,511
			395,970,272
Total repayments required			744,209,512
Repayments through June 30, 1953:			
Actual to June 30, 1950 *	$7,500,000	$14,000,000	21,500,000
Fiscal year 1951	5,000,000	4,000,000	9,000,000
Estimated fiscal year 1952	5,000,000	5,000,000	10,000,000
Estimated fiscal year 1953	5,000,000	9,000,000	14,000,000
Total repayments	22,500,000	32,000,000	54,500,000
			54,500,000
Estimated balance of repayable investment at June 30, 1953			689,709,512

* In addition to repayments under the provisions of the Government Corporations Appropriation Act 1948, bond redemptions of $8,572,500 and other repayments of $15,059,019 were made prior to fiscal year 1948.

Mr. THOMAS. This shows your financial picture through 1953. Is that correct?

Mr. CLAPP. That is right, with respect to our repayments to the Treasury.

Mr. THOMAS. This table shows that the estimated balance of repayable investment on June 30, 1953, is $689,709,512, but that table does not exactly give the accurate picture with relation to appropriated funds; does it? This only applies to that part of the appropriated funds which are reimbursable; is that correct?

Mr. CLAPP. That is correct.

TOTAL APPROPRIATED FUNDS

Mr. THOMAS. What is the total amount of appropriated funds that have been made for all purposes and broken down between reimbursable and nonreimbursable? What is the total amount through 1953? It is not shown in your justification, and I hope in the future you will break down your personnel cost in the budget so that we won't have to go to the President's budget to figure it out. I was not able to find that figure in your tables. Your tables are excellent, but oftentimes do not mean just what the writer intends them to mean. By that I mean they do not quite give the complete picture.

Mr. CLAPP. On page 202 of the Tennessee Valley Authority budget estimates as contained in the President's budget——

Mr. THOMAS. That is not in the budget before us; so read into the record what that figure is.

Mr. CLAPP. It shows in 1953, assuming the appropriation now requested is made, the total amount of appropriations by Congress to TVA from the beginning will be $1,460,734,581.

Mr. THOMAS. Of the 1.5 billion in round figures, what part is reimbursable? What are the features of the act that are reimbursable besides power, if any?

Mr. CLAPP. The power investment is the reimbursable part.

Mr. THOMAS. It is the only reimbursable item?

Mr. CLAPP. That is correct.

Mr. THOMAS. In other words, your educational program, navigation, flood-control, soil-conservation, and fertilizer activities are nonreimbursable items?

Mr. CLAPP. That is correct.

Mr. THOMAS. What part of that $1.5 billion is a nonreimbursable item?

Mr. WESSENAUER. For work that has been completed prior to June 30, 1953, there would be $689,709,512 remaining as of June 30, 1953.

Mr. THOMAS. That is the reimbursable feature?

Mr. WESSENAUER. Plus a portion of the construction work in progress which would be for power facilities, which do not become repayable until the facility is completed and begins operation. So that there should be added to the $689 million the amount of power facilities under construction as of that date but not yet completed. I do not believe our table here shows that number, but we can put it in the record.

(The matter above referred to is as follows:)

Repayable investment at June 30, 1953 (schedule C–1)		$744,209,512
Add: Repayments prior to June 30, 1948		23,631,519
Total		767,841,031
Less:		
Completed plant financed from property transfers	$19,276,643	
Completed plant financed from bonds	65,072,500	
		84,349,143
Balance (represents investment of appropriations on completed plant at June 30, 1953)		683,491,888
Add:		
Construction in progress at June 30, 1953		158,239,520
Commitments in progress at June 30, 1953		112,496,736
Repayable appropriations		954,228,144

Mr. THOMAS. With that addition, what is the amount of nonreimbursable out of that $1.5 billion?

Mr. CLAPP. Roughly about $750 million.

Mr. THOMAS. About 50 percent of the total appropriation?

Mr. CLAPP. Yes.

NOTE.—As shown by the above tabulation the amount of reimbursable would be about $950 million and the nonreimbursable is about $500 million or about 35 percent of the total appropriation.

Mr. GORE. It would not be that much.

Mr. THOMAS. And through 1953, your contribution or payments on your debt, we will say, will total $54.5 million; is that correct?

Mr. CLAPP. That is correct.

Mr. WESSENAUER. There is one amendment. You will note from the footnote to the table that we have made reimbursements or repayments of $23,631,000 prior to the establishment of this requirement of repayment.

Mr. THOMAS. Is that $23 million included in this $54 million?

Mr. WESSENAUER. No, sir.

Mr. THOMAS. That is in addition?

Mr. WESSENAUER. That is right, sir.

Mr. THOMAS. So, to make the picture accurate, your contributions have been about $77 million, or will have been through fiscal 1953?

Mr. WESSENAUER. That is correct.

Mr. THOMAS. Out of the total of $1.5 billion?

Mr. WESSENAUER. $31 million is repayment of bonds and the balance or $47 million is repayment of appropriations.

Mr. THOMAS. Of which one-half of that $1.5 billion is reimbursable and the other part is nonreimbursable?

Mr. WESSENAUER. That is correct.

NOTE.—About 65 percent is reimbursable.

1953 APPROPRIATION REQUEST

Mr. THOMAS. For 1953 you are seeking appropriated funds of $200,027,000?

Mr. CLAPP. That is right.

PERSONNEL

Mr. THOMAS. And using your own round figure, I notice you have an employment of 22,806. That is all classifications, including construction and maintenance of plant. But your total permanent jobs for 1953 are 12,643 against 11,592 for 1952. Is that correct?

Mr. CLAPP. That is correct, sir. The category referred to as "permanent positions" covers all employees paid at annual rates. Included in this group are some 3,000 employees engaged in direct construction and design work such as design engineers, project managers, construction superintendents, general and craft foremen and the like. These kinds of employees account for the increase in "permanent positions."

PROJECTS CONTRIBUTING TO POWER SUPPLY

Mr. THOMAS. You are going to start some new steam plants out of your $200 million of appropriated funds.

Turning to page 12, I will ask you to insert the last half of the table on that page, showing you want to start some 11 units, of which 8 are steam units, in 1953 out of this $200 million.

(The matter above referred to is as follows:)

	Number of units	1953 estimate
Beginning construction of new facilities:		
Kingston steam units 5–6	2	$15, 000, 000
Shawnee steam units 5–8	4	28, 000, 000
Colbert steam units 3–4	2	16, 000, 000
Hiwassee hydro unit 2	1	1, 614, 000
Chatuge hydro unit 1	1	975. 000
Nottely hydro unit 1	1	939, 000
Total	11	62, 528, 000

CONSTRUCTION COSTS OF NEW FACILITIES

Mr. THOMAS. The total cost of the starts will be $62,528,000, as follows: Kingston steam units, $15,000,000; Shawnee steam units, $28,000,000; Colbert steam units, $16,000,000; and then three smaller hydroelectric units at $1,614,000, $975,000, and $939,000, respectively.

CONSTRUCTION COSTS OF NEW STEAM PLANTS

Now, for the Kingston steam unit, the Shawnee steam unit, and the Colbert steam unit, are those figures of $15 million, $28 million, and $16 million, respectively, the completed unit costs?

Mr. CLAPP. No, sir.

Mr. THOMAS. What will it cost to complete those eight steam units? You are requesting here about $59 million to start them. What will be their ultimate completion cost?

Mr. CLAPP. Let me give those to you individually. Units 5 and 6 at the Kingston plant, which is already started; these two additional units will cost $51 million in total.

Mr. PHILLIPS. Including the $15 million?

Mr. CLAPP. Including the $15 million; that is correct.

Mr. THOMAS. This is starting money, in other words, the $15 million, and it is $51 million to complete it?

Mr. CLAPP. That is right; for those two units. You understand we already have under way at the Kingston steam plant four units not reflected in this particular table, although referred to up above.

Mr. PHILLIPS. May I understand that? Is it $51 million or $65 million?

Mr. THOMAS. $51 million. The $15 million is in the $51 million.

Mr. CLAPP. For Shawnee units 5, 6, 7, and 8 the cost to complete, including the starting money, is $80 million.

Mr. THOMAS. What about the Colbert units 3 and 4?

Mr. CLAPP. The cost to complete, including the starting money, is $51.5 million.

Mr. THOMAS. Roughly $182 million to complete.

CONTINUED CONSTRUCTION COSTS OF PROJECTS UNDER WAY

Before we leave that item, I think it might be well to repeat the top of the table Chairman Gore has already put in, showing $105 million required to continue these projects already started.

Will this $105 million complete them in their entirety?

Mr. CLAPP. Not all of them.

Mr. THOMAS. Without going into the detail of each one of the projects, how much additional over and above this $105,570,000 will be required to finish these projects that are listed and which I will ask to be set out in the record at this point.

(The matter above referred to is as follows:)

	Number of units		Appropriated funds
	In service, June 30, 1952	Under construction, fiscal year 1953	
Continued construction of projects under way:			
Boone Dam and reservoir units 1–3		3	$3,716,000
Fort Patrick Henry Dam and reservoir units 1–2		2	6,958,000
Johnsonville steam units 1–6	4	2	4,985,000
Widows Creek steam units 1–6	1	5	21,541,000
Kingston steam units 1–4		4	23,267,000
Shawnee steam units 1–4		4	14,793,000
Colbert steam units 1–2		2	24,112,000
Pickwick hydro units 5–6		2	321,000
Fontana hydro unit 3		1	1,596,000
Cherokee hydro units 3–4		2	1,471,000
Douglas hydro unit 4		1	1,864,000
Hales bar hydro units 15–16	1	1	946,000
Total	6	29	105,570,000

Mr. THOMAS. There are 5 steam plants out of 12 and 7 of them are at hydroelectric plants. Of the total projects, how much additional to the $105 million will be required to complete them?

Mr. WESSENAUER. The figure I have is about $30 million, but I want to check it.

Mr. THOMAS. In addition to those figures we have now gotten and the one you have added, the record should indicate that in 1950 your appropriated funds were approximately $50 million; in 1951, approximately $199 million; in 1952, approximately $238 million; and for 1953, it is approximately $200 million.

Mr. WESSENAUER. It is about $29 million—$26 million to complete the steam units and $3 million to complete the hydro units.

Mr. PHILLIPS. More than the figure?

Mr. THOMAS. Yes; to complete these projects for which this year they want $105 million as part of that $200 million carried forward.

TRANSMISSION FACILITIES COST

Now, to supplement the $182 million figure to complete these three steam plants we have just mentioned and of which you want $59 million in 1953 to start, you are also seeking about $3,761,000 for transmission facilities?

Mr. WESSENAUER. That is right, sir; for transmission projects to be started in 1953.

Mr. THOMAS. What will be the total cost of those transmission facilities for these three new steam plants?

Mr. WESSENAUER. The total cost of the transmission facilities would be $5.4 million.

Mr. THOMAS. As a completed project?

Mr. WESSENAUER. As a completed project.

Mr. THOMAS. Getting back to the big program of $105 million for the 12 projects, for construction money you want $13,648,000 for 1953 for transmission facilities. What will be the total completion cost of those transmission facilities? Will the $13.6 million do the job?

Mr. WESSENAUER. Not quite. It will require about $4.5 million more.

THE QUESTION OF PRIVATE INDUSTRY BUILDING AND OPERATING STEAM PLANTS

Mr. THOMAS. Here is the question I have in mind. These are not hydroelectric units; they are steam units. No doubt they are desirable, useful, and so forth, but cannot private industry in the valley build these units and operate them privately much cheaper than you can? These have nothing to do with hydroelectric power, and in this period of stress and strain why should the taxpayers build these units when private enterprise can build and operate them much cheaper than you can?

Mr. CLAPP. Waiving the question of policy of what may or may not be desirable, I doubt very much whether they could physically build them cheaper than we can and operate them cheaper than we can.

Mr. THOMAS. Do you know of any governmental agency that can operate a business, with 57 days of holidays and days off and so forth a year, as cheap as industry can? You do not mean today that TVA can: do you?

Mr. CLAPP. The operation of TVA power facilities and the construction costs we have achieved on the whole show up very well with the best that private construction has achieved.

Mr. THOMAS. We will grant that with the best, but, of course, the best is not good enough, because we do not know of any governmental agency that can do a job as economically and as well as private enterprise, if private enterprise will do the job.

Mr. CLAPP. One thing the committee will have as a basis for forming a judgment on this specific question will be the performance of the Electric Energy, Inc., organization that is building the steam plant at Joppa across the Ohio River from Paducah to supply one-half of the power for the Atomic Energy Commission project. We are building the Shawnee plant to supply half of the power for that project. We will put our cost up against theirs.

Mr. THOMAS. And your operating cost?

Mr. CLAPP. Our operating cost and our ability to produce power at that plant as compared with their ability to produce at their plant.

Mr. THOMAS. Cannot private industry build and operate these plants without the taxpayers doing it?

Mr. CLAPP. These plants are much too large for any single industry to take on as a source of power for itself. Now, if an industry, say the aluminum industry——

Mr. THOMAS. Are there not any power people in that area who would undertake this job?

Mr. CLAPP. There is only one agency in the Tennessee Valley that is in the busines of building and operating generating and transmission facilities for electric power for distribution to industry, to municipalities, to rural cooperatives, and to Federal agency projects, and that is TVA. There is no private generating utility in the Tennessee Valley.

Mr. THOMAS. But you have a tie-in with some of the private concerns that supply you with power and vice versa; have you not?

Mr. CLAPP. Yes; we have exchange and purchase and sale arrangements with the utilities neighboring around us on the edge of the area we serve. Their outlet for power is in their own service area, and their outlet for power in the Tennessee Valley is as a sale or transfer to TVA. We are getting quite a bit of power from neighboring utilities which we transmit over our system into the Atomic Energy Commission program, for example, on an emergency basis.

When it comes to steam plants of the size of Johnsonville or steam plants of the size of Shawnee, Kingston, Colbert, or Widows Creek, when fully developed they will each be able to produce a million kilowatts of installed capacity. There is no single industry that is big enough in the area or equipped to do it.

Mr. THOMAS. That is what I am getting at. In your judgment there is no private industry in the area that is able to get in there and build those steam plants and, if they are desirable, then TVA must do it?

Mr. CLAPP. I think that is certainly the present picture and is very clearly indicated by the history of it and the circumstances of today.

COMPARISON OF PRODUCTION COSTS WITH PRIVATE INDUSTRY

Mr. THOMAS. How do your costs of production now on these steam plants compare with private industry?

Mr. WESSENAUER. I think they show up to be very comparable.

Mr. THOMAS. That is a good conclusion, but you have not set out any of those very vital factors in your justification. I hope in the future you will give us that. Your tables are superb. If we just put the time on them and figure it out, it is three. But your words are very, very meager. What words you do put in there, I must confess, you do some job on them.

Mr. WESSENAUER. Let me cite you a figure on it. The estimated cost of these facilities, of the projected capacity increments provided by the new program, is about $140 a kilowatt.

FUEL USED IN STEAM PLANTS

Mr. THOMAS. What do you use for fuel in these steam plants?

Mr. WESSENAUER. Coal, primarily.

Mr. THOMAS. You do not use water power?

Mr. WESSENAUER. Not for the steam plants.

Mr. THOMAS. So you have to go into the market and buy coal or buy synthetic gas or natural gas just like private industry would do; do you not?

Mr. WESSENAUER. The fuel has to be either coal or gas.

FURNISHING TRANSMISSION TO TEXAS EASTERN

Mr. THOMAS. I notice an item for furnishing transmission to the Texas Eastern of about $1.4 million.

Mr. WESSENAUER. Yes, sir.

Mr. THOMAS. For what is that?

Mr. WESSENAUER. The company is building a gas-transmission pipeline through our area to take gas from the Southwest to the Northeast, and they are installing pumping stations along the way.

Mr. THOMAS. Are you a customer of theirs?

Mr. WESSENAUER. No. They are a customer of ours, and the estimate is for transmission facilities to bring power to their pumping stations.

Mr. THOMAS. You do not mean to say in their business of selling gas that you sell them gas; do you?

Mr. WESSENAUER. No, sir. We sell them electricity.

FUEL USED TO PRODUCE ELECTRICITY

Mr. THOMAS. Do you use gas or coal for producing electricity?

Mr. WESSENAUER. We use coal.

RELATIVE COST OF GAS AND OIL

Mr. THOMAS. What about the relative cost between gas and coal?

Mr. WESSENAUER. At the moment they are fairly close together, but we have been unable to get approval to buy gas.

Mr. THOMAS. What do you mean by "close together"? Mr. Charles Wilson tells me the cheapest fuel for generating electric energy is gas. Of course, that depends on where you find the gas and what the transportation cost is.

Mr. WESSENAUER. Yes, sir.

Mr. THOMAS. You have coal right in your own back yard.

Mr. WESSENAUER. Fairly close.

Mr. THOMAS. How does it figure; what is the relative cost?

Mr. WESSENAUER. We are now getting coal at Johnsonville at about 19 cents per million British thermal units. The quotation we had on gas, as I remember, was 17.5 cents, to which we had to add some cost of transporting that gas to the plant.

Mr. KAMPMEIER. We have been hoping to buy it and intended to buy it, but the Federal Power Commission turned down a request of the gas company for facilities to sell it to us.

Mr. THOMAS. It would have been a little cheaper, but the Federal Power Commission turned it down. Why did the Federal Power Commission turn it down—because they did not want to grant authority to give you a spur line?

Mr. WESSENAUER. They refused to give the company the right to sell gas to us, believing, I think, the gas should be carried farther north for other purposes.

FUEL COSTS FOR STEAM PLANTS FOR 1953

Mr. THOMAS. What is your total fuel bill for steam plants for 1953?

Mr. WESSENAUER. The fuel bill will be roughly $27 million.

Mr. GORE. Translate that into tons.

Mr. WESSENAUER. That would be about 5.5 million tons.

Mr. THOMAS. How many steam plants do you have under construction now?

Mr. WESSENAUER. Five.

Mr. THOMAS. And each one of them has multiple units; so that is about 12 units. When they are completed, what will be your fuel cost?

Mr. WESSENAUER. Of the order of $50 million.

Mr. THOMAS. How much will you add for these other six units?

Mr. WESSENAUER. I included those, sir.

Mr. THOMAS. In other words, with this entire program completed, your fuel bill alone will be $80 million a year?

Mr. WESSENAUER. No. I would think between $50 million and $60 million.

Mr. THOMAS. And it is now about $30 million a unit?

Mr. WESSENAUER. No, sir. That was the figure for the fiscal year 1953 when some of the units now under construction will be in operation.

SALARIES PAID BY TVA

Mr. THOMAS. I noticed one of the gentlemen over in the Senate from Maryland had a statement about your employment. Whether that is accurate or not I am unable to say. In the future I hope you will break down your employment. You made a feeble effort this year in this organization chart showing the grades and salaries. You have what is equivalent here to 26 super grades. Of course, your grade 10 is $100 or $200 higher than the normal grade 14 under the Classification Act, but your super grades, 12, 13, and 14, correspond to the Government super grades of 16, 17, and 18, of which you have some 26. The bulk of your employment is around 7, 8, and 9, which is the equivalent in the Government services of 5, 6, and 7. How do you explain that difference; why are you $1,000 or $1,500, in some instances $2,000, higher than the regular civil-service classification? Of course, we understand the TVA Act gives you authority to set your own salaries, but what is so unique about your operations in the clerical field and other fields than the technical fields that justifies your going above the regular civil-service classifications to the tune of $1,000 to $1,500 per grade?

Mr. CLAPP. I think you were citing averages.

Mr. THOMAS. I was going by your table. I presume it is the average.

Mr. CLAPP. Our average salary—

Mr. THOMAS. I was not going by averages. Your average would include 10,000 or 12,000 per diem people. I presume those are per diem people. But you say your regular employment for 1953 will be in the neighborhood of 12,000, whereas your total load is 22,000. So I am assuming, even though your justification is entirely silent on those points, that you have some 10,000, I guess, of what you call force account.

Mr. CLAPP. That is right.

Mr. THOMAS. I was speaking of your regular employment, of the 12,000. Of course, when you add your 12,000 to the 10,000 force account people, it brings your average pretty well down, but your

average for the 12,000 people is considerably higher than for the same or similar types of work performed by other governmental agencies.

Mr. CLAPP. One reason why those averages show up higher in TVA is that we have a larger percentage of professional people in the total than the typical Government agency does. For example, we have a large number of engineers of various kinds.

FINANCE DIVISION PERSONAL SERVICES

Mr. THOMAS. You are in the business now of selling power and collecting money for power. Therefore, you must have a tremendous bookkeeping and auditing staff. How many people do you have in the business of bookkeeping and auditing?

Mr. CLAPP. Our Finance Division as a whole is 360 positions. That would include auditing, keeping record accounts, and all the central ledger and voucher work.

Mr. THOMAS. Whereabouts are the people who make up your payrolls and that sort of thing?

Mr. CLAPP. Most of them would be included in that number. Of course, we also have on the projects and in the various divisions and operating units clerical people who handle the decentralized voucher and payroll auditing.

Mr. THOMAS. Those 360 positions in the Division of Finance are $1,593,950. What is the average salary?

Mr. KAMPMEIER. About $4,400.

OTHER OBJECTS

Mr. THOMAS. What is the cost of your other objects added to that? Nowhere in your justifications do you set out the cost of your other objects. We find in the committe print that you have other objects in the neighborhood of $329 million. The bulk of that is in equipment and other contractual services and supplies.

Mr. CLAPP. Our coal would be included in that, for example.

Mr. THOMAS. You have a travel bill of $2,061,000. If you add the figure for other objects to your approximate figure for your Accounting Division of $4,400, what will it be—at least 12 to 15 percent more?

Mr. CLARK. That would be a good approximate figure.

Mr. THOMAS. It would average in the neighborhood of $4,900 to $5,000 a year, then; would it not?

REQUESTED DETAILS ON EMPLOYMENT FOR 1954 BUDGET

I hope next year your budget will be far more complete in details on your employment than it is now.

Mr. CLAPP. We will be glad to supply whatever tables in whatever form you and the committee wish. We thought we were complying with what the committee wanted.

CHEMICAL FACILITIES AND FERTILIZER PROGRAM

Mr. THOMAS. What about chemical and fertilizer facilities this year? I notice you took in from chemical and fertilizer facilities in the neighborhood of $20 million. Is that correct?

Mr. CLAPP. That is right; in operations.

Mr. THOMAS. What do you figure your cost is? This is a nonreimbursable item; is it not?

Mr. CLAPP. The cost shown there is the cost of operating those facilities to produce the materials that come out of those plants.

FERTILIZER AND MUNITIONS DEVELOPMENT

Mr. THOMAS. You say the sale of fertilizer and munition products is $20 million.

Mr. CLAPP. Yes.

Mr. THOMAS. How much did it cost you to produce?

Mr. CLAPP. The table on page 44 shows the total direct cost of production and distribution of some $15,124,000.

Mr. THOMAS. What part of your appropriated funds are you applying to that $15 million?

Mr. CLAPP. We apply nothing out of our appropriated funds to that $15 million. The appropriated funds in this table on page 44 cover the research on products and processes of $1,284,000; basic agronomic research, $219,000; supervision of test-demonstration programs, $385,000; cost of fertilizer used in the test-demonstration programs, $429,000.

So the proceeds from the sale of materials out of the chemical plants more than cover the cost of producing those materials and actually leaves a difference of some $4 million or $5 million.

FUTURE CONSTRUCTION PROGRAM

Mr. THOMAS. What are your plans in the future for the construction of either more hydroelectric plants or steam plants? You are going to embark in 1953 on a program that is going to cost in the neighborhood of $182 million for construction plus another $10 million or $12 million for transmission facilities. What are your plans beyond 1953 either for steam plants or hydroelectric plants with reference to the construction of new ones?

Mr. CLAPP. It will be necessary for us in subsequent years to request additional funds to be invested in additional steam plants as well as in some additional hydro projects. As Mr. Wessenauer pointed out a moment ago, the sites available for further hydro development are getting fewer and fewer. The rate at which we expand the system that is now projected in the 1953 budget will depend upon a lot of things. One of the principal factors, of course, will be what happens to the big defense loads like the Atomic Energy Commission's program, the wind-tunnel research center at Tullahoma, and what happens with respect to chemicals, aluminum, and all of those things.

POWER OPERATIONS—RECEIPTS FROM FEDERAL AGENCIES

Mr. THOMAS. How many Government plants are you serving? The Arnold Research Center is one.

Mr. WESSENAUER. That is right. We are now serving the Atomic Energy Commission at Oak Ridge; we are under contract to supply power, one-half of the power, to their project at Paducah; we supply power to an Army camp near the Cumberland; we supply power to the arsenal reservation.

Mr. THOMAS. You have one at Tullahoma?

Mr. WESSENAUER. That is the wind tunnel.

Mr. CLAPP. That is the Arnold Center.

Mr. THOMAS. How many is that—five?

Mr. WESSENAUER. I believe that is right. There are some other developments around Muscle Shoals.

Mr. THOMAS. On all of those five Government projects that you are serving are you reimbursed for the power that you sell them?

Mr. CLAPP. Yes, sir.

Mr. THOMAS. Is that on a comparable basis to what you sell power for to industry and private individuals?

Mr. WESSENAUER. Yes.

Mr. THOMAS. In other words, you do not lose any money, as far as you know, on what you sell to those Government installations that you just mentioned?

Mr. WESSENAUER. We try to put the cost to them on a comparable basis to our cost of supplying power.

Mr. THOMAS. Does that show a profit to you on your books?

Mr. WESSENAUER. The rates are sufficient to provide the kind of return we try to earn on our power investment.

Mr. THOMAS. What amount of money are you receiving from the Government in 1952 and 1953 for power? What page of your estimates shows those five or six installations which you are now serving?

Mr. WESSENAUER. That would be shown in the table on page 32. That shows receipts from Federal agencies in 1953 of $38,800,000.

Mr. THOMAS. What about 1952?

Mr. WESSENAUER. 1952 would be $26,250,000.

Mr. THOMAS. I wonder if you will be good enough at this point in the record to break that down and show it by installations and dollars for each one.

Mr. WESSENAUER. Yes.

	Fiscal year 1951	Fiscal year 1952	Fiscal year 1953
Atomic Energy Commission:			
Oak Ridge	$7,450,000	$25,173,000	$20,752,000
Paducah	10,000	371,000	14,593,000
	7,460,000	25,544,000	35,345,000
Arnold engineering development center	1,000	30,000	280,000
Other [1]	702,000	676,000	3,175,000
Total	8,163,000	26,250,000	38,800,000

[1] Army and Air Force installations such as Fort Campbell, Ky., Huntsville, Ala., Arsenal, and for construction power at Cumberland River hydro projects.

TOTAL INCOME FROM POWER OPERATIONS

Mr. THOMAS. What is the total income for 1953—$115 million from power?

Mr. WESSENAUER. That is right, sir.

Mr. THOMAS. And the Government is paying how much of that $115 million, did you say—$38 million.

Mr. WESSENAUER. That is right, sir.

PAYMENTS TO UNITED STATES TREASURY

Mr. THOMAS. And you are paying into the till, back into the Treasury, on account of power, how much—$19 million or $14 million?

Mr. WESSENAUER. We are paying into the Treasury in this year, 1952, the table shows $10 million, $5 million of which is in repayment of bonds and $5 million being paid into the Treasury. Actually our payments into the Treasury this year have been $7 million instead of $5 million; so that we have paid thus far this year $12 million.

Mr. THOMAS. What about 1953; is that $19 million?

Mr. WESSENAUER. It is projected at $14 million.

Mr. CLAPP. We will be paying some nonpower proceeds in, too, which I think accounts for the $19 million figure in your mind.

Mr. THOMAS. What are those? You have some four or five reimbursable items. You do not reimburse all those; do you?

Mr. CLAPP. We get a surplus out of some of our transactions—for example, in the sale of lands and other items we are disposing of.

Mr. THOMAS. Thank you. That is all.

VEHICLES

Mr. PHILLIPS. What is the total number of cars you now have?

Mr. CLAPP. We are now operating a fleet of 705 automobiles that would be classed as sedans and we have 125 on order—a total of 830.

Mr. PHILLIPS. Not including trucks?

Mr. CLAPP. Not including trucks.

Mr. PHILLIPS. That is passenger cars of one kind and another?

Mr. CLAPP. That is right.

Mr. PHILLIPS. Do you have any station wagons in addition to that?

Mr. CLAPP. We have some closed sedans for serving our power crews and engineer field crews and the like.

Mr. THOMAS. Where is the automobile table set out? What is the total of automobiles—830?

Mr. PHILLIPS. That is only sedans. Mr. Clapp is giving me the figure for what I would call country club cars or crew cars. What would that be?

Mr. CLAPP. We do not have that figure.

Mr. PHILLIPS. In addition to that, do you know how many commercial cars you have?

Mr. CLAPP. Well, the classification would be sedans.

Mr. PHILLIPS. Sedans are passenger cars, and crew cars are multiple passenger cars. Then you have commercial cars, like trucks?

Mr. CLAPP. In our classification, when I give you a figure of 705 automobiles, that means all automobiles devoted to carrying passengers.

Mr. PHILLIPS. Including the multiple passenger, or crew cars?

Mr. CLAPP. I think not, sir.

Mr. PHILLIPS. Will you put in the record at this point the actual figure for those three classifications?

Mr. CLAPP. We will do that.

(The matter above referred to is as follows:)

Sedans on hand June 30, 1952	705	
Sedans on order June 30, 1952	125	
Total sedans on hand and on order		830
Reconnaissance vehicles (for field crews and equipment)		52
Trucks on hand and on order June 30, 1952:		
Light trucks	1,235	
Medium trucks	569	
Heavy trucks	141	
Line maintenance trucks	29	
Line construction trucks	93	
		2,067
Total automotive vehicles on hand and on order June 30, 1952		2,949

Mr. PHILLIPS. Then you are asking for 70 new automobiles in addition to the 830. That would make 900 passenger-carrying cars. You are also asking for 150 replacements out of the 900, making 220 new cars for next year, of which 70 are in addition to your present fleet.

Mr. CLAPP. That is correct, sir, except that 125 cars of the 830 which you mention are on order—not yet received. When these 125 cars are delivered an equal number will be retired, so that the fleet will remain at 705. The 70 additional cars we are requesting would make 775.

Mr. PHILLIPS. How many are you using in Washington?

Mr. CLAPP. We have none in Washington.

Mr. PHILLIPS. Where are the new 70 cars to be placed?

Mr. CLAPP. They will be scattered through our various work centers in the Tennessee Valley. There will be some added to the available fleet at Knoxville, Chattanooga, at Muscle Shoals, and at the construction projects themselves, and so forth.

Mr. PHILLIPS. What would be the approximate age of the cars you are turning in for the 150 replacements?

Mr. CLAPP. We find that our most efficient and economical retirement practice is at about 60,000 miles, I believe, which, on the average, would mean an age of about 4 years.

Mr. THOMAS. How does it come about that you have to have 830 passenger automobiles? How do you allocate them? Say here is a CAF–8 or 9. Do you give him one?

Mr. CLAPP. We do not assign them in that way.

Mr. THOMAS. How do you assign them?

Mr. CLAPP. They are operated out of central fleets or main garages in our largest personnel locations, like Knoxville, Chattanooga, Muscle Shoals.

Mr. THOMAS. How many do you have at Knoxville?

Mr. CLAPP. I do not know the number there, but they are maintained in a central garage.

Mr. THOMAS. Does anybody know how many automobiles they have at Knoxville?

Mr. CLARK. It would be on the order of 125, I would estimate.

Mr. THOMAS. Where are your pools located? You have 125 in Knoxville. Where are the others?

Mr. CLARK. We have pools operated in Chattanooga, Wilson Dam, Paris, Tenn., and at each of the major construction projects. At each of the five steam plants, for example, there would be approximately 50 cars or so at each plant.

Mr. THOMAS. Where are the automobiles kept at night?

Mr. CLARK. The ones that are in the pools are kept at the TVA garages.

Mr. THOMAS. How many do you have that are not in the pools?

Mr. CLARK. I do not have the figure on that. We would be glad to insert it.

(The matter referred to is as follows:)

TVA passenger cars June 30, 1952

	On hand June 30, 1952	On hand and on order June 30, 1952
Units operated from base garages:		
Knoxville, Tenn.	70	98
Chattanooga, Tenn.	133	157
Wilson Dam, Ala.	84	102
Paris, Tenn.	28	38
Columbia, Tenn.	5	5
Subtotal	320	400
Units operated from construction pools:		
Shawnee steam plant, Kentucky	34	40
Boone Dam, Tennessee	36	40
Johnsonville steam plant, Tennessee	32	32
Kingston steam plant, Tennessee	23	27
Widows Creek steam plant, Tennessee	17	20
Colbert steam plant, Alabama	6	18
Hales Bar and Chickamauga Dam additions, Tennessee	7	7
Subtotal	155	184
Total units operated from base garages and construction pools	475	584
Field assignments:		
To power operations, construction, and maintenance personnel at Nashville, Jackson, Johnson City, Columbia, Memphis, Cleveland, Martin, Cookeville, Murfreesboro, Morristown, Mount Pleasant, Copper Hill, Watauga Dam and Watts Bar Dam, Tenn.; Tupelo and West Point, Miss.; Huntsville, Ala.; Hiwassee Dam, N. C.; Bowling Green and Russellville, Ky.	116	129
To propery management, operations, and maintenance personnel in 24 major dam and reservoir areas	44	45
To forestry research, operations, and protection personnel at Norris, Bristol, and Oak Ridge, Tenn.; Asheville, N. C.; and Decatur, Ala.	22	22
To personnel engaged in the collection of hydraulic data at Norris, Athens, Elizabethton, Jefferson City, Lenoir City, and Savannah, Tenn.; Bryson City, Murphy, and Waynesville, N. C.; and Huntsville, Ala.	14	14
To land acquisition and sales personnel at Bristol and South Holston Dam, Tenn.; and Sheffield, Ala.	13	13
To inspectors in industrial areas; and personnel engaged in miscellaneous scattered activities	21	23
Total field assignments	230	246
Total units	705	830

Mr. THOMAS. Would it be one-half, one-third, or one-quarter?

Mr. CLARK. It would be approximately one-third that are not in pools.

Mr. THOMAS. Where are they kept at night? Does the man take the car home with him?

Mr. WESSENAUER. In the case of some of the operating personnel, yes, sir; because they are on call 24 hours a day to go out and service the lines and things of that kind; so the best place for the car is where the man is. In some places our field personnel use cars to go out to the various communities on TVA business. In those cases the cars are kept in garages rented by TVA at one central point.

Mr. THOMAS. It adds up to about one-third of your cars are in the hands of private individuals, and it is very nice to furnish one-third of your employees with private automobiles. That is about what it adds up to; is it not?

Mr. WESSENAUER. They do not use the cars except on TVA business, but they do use them when they are called out on TVA business.

Mr. THOMAS. This reminds me of the armed services. They do not use theirs except for armed services business, but you find chauffeurs driving them home every evening, bringing them to work, and maybe their wives going downtown doing a little grocery shopping.

How many chauffeurs do you have?

Mr. CLAPP. We have none. We have garage attendants stationed in our central garages who occasionally are called upon for taxi service with a TVA car to take TVA people over to the airport or to pick them up at the airport where other facilities are not available, but we do not have any chauffeurs assigned to drive TVA officials about. As to the personal use of automobiles, I think this ought to be said about the TVA record on that. We have had abuses in times past, sure——

Mr. THOMAS. You are bound to with 830 automobiles.

Mr. CLAPP. You are bound to have abuses.

Mr. THOMAS. That is human and is understandable.

Mr. CLAPP. There are bound to be abuses where you have to rely upon individuals to exercise their own judgment as to what constitutes a strict interpretation of "official business." But the abuses have been mighty few and far between, and one reason they have been that way is that operating as we are in a goldfish bowl of our own clientele in the Tennessee Valley, with the TVA cars marked as conspicuously as they are, any abuse becomes the occasion for a direct report to TVA and correspondence, and we go after them.

We have a pretty good record on that.

Mr. THOMAS. Thank you.

AIRPLANES

Mr. PHILLIPS. I notice you are asking for a change in language which would permit you to buy airplanes. How many planes have you in this 1953 budget?

Mr. CLAPP. We are asking for a provision to buy two airplanes. They would actually be replacements.

Mr. CLARK. On page 27 of the justifications, it is indicated that we would purchase one helicopter and one fixed-wing airplane to replace two fixed-wing aircraft, and that our total fleet of airplanes for transmission line patrol and malaria control work would consist of three helicopters and two fixed-wing planes. In addition, TVA operates one plane for high-altitude aerial mapping, one for photography and reconnaissance with some passenger service, and one plane principally for passenger service for employees on official business. This makes a total of eight planes.

Mr. PHILLIPS. Have you two helicopters now?

Mr. CLARK. That is right, sir.

Mr. CLAPP. As that paragraph explains, Mr. Phillips, we use them for transmission line patrol and malaria control, shore-line inspections, and so forth.

Mr. PHILLIPS. I suggest that we put that paragraph of page 27 in the record.

Mr. GORE. It is already in the record, but we can insert it again at this point.

(The information is as follows:)

The estimate of $119,000 provides $60,000 for replacement of two aircraft, including $55,000 for purchase of one helicopter and $5,000 for one fixed-wing airplane. Helicopters generally are more efficient and safer than fixed-wing craft for the low-altitude type of flying required for much of TVA's work, but there are needs which can best be met by fixed-wing craft. After acquisition of the aircraft provided for in the 1953 budget, the air fleet for transmission line patrol, emergency transmission line inspection, malaria control spraying, vegetal growth spraying, and reconnaissance will consist of three helicopters and two fixed-wing craft. The remaining $59,000 of the 1953 estimate for miscellaneous equipment covers a number of minor items of shop and service equipment.

Mr. WESSENAUER. Might I take a moment on the helicopters?

On the power line patrol work, we find that the cost of patrolling is approximately half of what the cost was formerly with foot patrols. That is one way we have brought about economies in our operations.

CHEMICAL TREATMENT IN RIGHT-OF-WAY CLEARING

Another item we are going into is more extensive use of chemical treatment in our right-of-way clearing. With the amount of rainfall in our region, and the very rapid growth of vegetation, we have found that our former method of clearing rights-of-way and keeping them cleared with hand cutting was getting quite expensive.

While the initial chemical treatment is more expensive than the cutting, it results in getting not only the parts of the plant which are above ground, but the roots as well, so you do not have as much regrowth. About 85 percent of the plants are killed on the first treatment. It requires only a minor treatment later to get the best results.

As a result of this there will be a substantial saving in the clearing along the transmission lines in the future.

Mr. PHILLIPS. How can you limit it to your right-of-way?

Mr. WESSENAUER. That is a technique, of course, that has to be worked out. It means taking the sprayers out along the right-of-way, spraying close to the trees themselves. We have to watch wind conditions so that the chemicals do not blow out onto the adjacent land. We have had a few cases of damage where the men have not been careful. It has gotten onto cotton, for example, which is very susceptible to being killed by these chemicals that are used for clearing.

NET INCOME FROM POWER OPERATIONS

Mr. GORE. On page 32, Mr. Clapp, will you read into the record specifically the net income from power operations as actually realized in 1951; your estimate for 1952, together with any changes which may have occurred since the printing of the record; and your estimate for 1953.

Mr. CLAPP. The actual net income from power operations in 1951, Mr. Chairman, is $25,853,111. That, as the table shows, is after all production expense, a fair allocation of administrative and general

expense, a good, conservative policy on depreciation, and payments to the States and counties in lieu of taxes.

In 1952, the current fiscal year, we estimate a net income from power operation of $26,148,000. Our experience to date indicates that that is a pretty good estimate for the year.

For 1953 we estimate a net income from power of $30,522,000.

INTEREST RETURN ON INVESTMENT

Mr. GORE. What interest return would that represent on investment were it computed or calculated as if it were a private concern?

Mr. CLAPP. The actual net income, Mr. Gore, for 1951 fiscal year, which closed last June, would represent about a 5.4 percent return on the power investment. The estimate for the current year is somewhat lower than that. It would be around 4½ percent on the average investment for the year. The $30,500,000 estimated income for 1953 will be in the range of 4 percent.

AUTOMOBILE OPERATING COSTS

Mr. GORE. I have one question on automobiles. Of course, with this vast amount of transmission lines and the construction program and the supervision transportation is necessary. Could you hire automobiles cheaper than you can own them?

Mr. CLAPP. No, Mr. Gore; we cannot. It costs us better than 8 cents a mile to rent an automobile, whereas our own costs for operating our fleet, including depreciation and all overhead, are about between 5 and 6 cents a mile. Even if you were to include the cost of the money—that is, an interest factor in there—we can still operate those automobiles we own for at least 2 or 2½ cents a mile cheaper than we can rent them.

OBSERVATION OF TVA

Mr. GORE. I will not expect the TVA to make any response to the statement I am about to make. I have endeavored to keep the TVA out of politics. It must stay out of politics, and the people of the valley should see to it that politicians do not gain control of TVA. Once TVA is staffed with political hacks instead of engineers and qualified administrative personnel, we will have high power rates, poor service, and the prospect of retarded economic development, electricity now being the lifeblood of modern industry.

I do want to say for the record, though, that one of the real joys of my service in Congress has been the duty during each of the last 9 years, and now this year, to pilot through the Congress the TVA appropriation bill. The agency has grown. I have watched and cherished its development, feeling that it was vital to the well-being of the people whom I have had the honor to represent. The future appears to be bright.

Unless you have a supplemental budget, this will represent the last House hearing on the TVA budget I will conduct.

The committee is adjourned.

GENERAL SERVICES ADMINISTRATION

WITNESSES

JESS LARSON, ADMINISTRATOR OF GENERAL SERVICES
RUSSELL FORBES, DEPUTY ADMINISTRATOR
MAX MEDLEY, COMPTROLLER
WILLIAM C. CLEARY, DIRECTOR OF MANAGEMENT
MAXWELL H. ELLIOTT, GENERAL COUNSEL
D. E. A. CAMERON, DIRECTOR, BUDGET DIVISION
W. P. TURPIN, DEPUTY DIRECTOR, BUDGET DIVISION
W. E. REYNOLDS, COMMISSIONER OF PUBLIC BUILDINGS
H. G. HUNTER, DEPUTY COMMISSIONER
R. O. JENNINGS, ADMINISTRATIVE OFFICER
C. D. WILLIAMS, DIRECTOR, NATIONAL INDUSTRIAL RESERVE
J. L. NAGLE, DIRECTOR, REAL PROPERTY ACQUISITION AND UTILIZATION
T. L. PEYTON, CHIEF, REAL PROPERTY DISPOSAL
W. A. SCHMIDT, DEPUTY DIRECTOR, BUILDINGS MANAGEMENT
J. E. STRAWSER, BUDGET REPRESENTATIVE
CLIFTON E. MACK, COMMISSIONER OF FEDERAL SUPPLY
J. W. FLATLEY, DEPUTY COMMISSIONER
PAUL KING, ADMINISTRATIVE OFFICER
G. A. MOE, DIRECTOR, SUPPLY MANAGEMENT
S. A. SNYDER, DIRECTOR, PURCHASE AND STORES
R. G. WINKLER, DIRECTOR, PERSONAL PROPERTY UTILIZATION AND DISPOSAL
W. S. MacLEOD, DIRECTOR, STANDARDS
W. E. HAYGHE, DIRECTOR, TRAFFIC MANAGEMENT
P. C. JUMONVILLE, BUDGET REPRESENTATIVE
WAYNE C. GROVER, ARCHIVIST OF THE UNITED STATES
R. H. BAHMER, ASSISTANT ARCHIVIST
H. E. ANGEL, DIRECTOR, RECORDS MANAGEMENT
T. R. SCHALLENBERG, DIRECTOR, ARCHIVAL MANAGEMENT
E. O. ALLDREDGE, CHIEF, RECORDS CENTERS
WALTER ROBERTSON, JR., BUDGET REPRESENTATIVE
A. J. WALSH, COMMISSIONER OF EMERGENCY PROCUREMENT
T. V. WILDER, DIRECTOR, RESEARCH AND DEVELOPMENT
J. E. SALISBURG, DIRECTOR, STORAGE AND TRANSPORTATION
H. C. MAULL, JR., DIRECTOR, PURCHASING
O. W. TECKEMEYER, CHIEF, INSPECTIONS
A. J. DOYLE, BUDGET REPRESENTATIVE
J. C. HOUSTON, JR., VICE CHAIRMAN, STOCKPILE PROGRAMING, MUNITIONS BOARD
CARL ROLLE, ASSISTANT VICE CHAIRMAN, STOCKPILE PROGRAMING, MUNITIONS BOARD

Operating Expenses

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$78,500,000	$107,350,000	$128,000,000
Transferred from—			
"Salaries and expenses, Department of State," pursuant to 64 Stat. 1272	52,400		
Post Office Department, pursuant to 64 Stat. 1270, "Contributions to postal revenue"	14,478,824		
"Salaries and expenses, Immigration and Naturalization Service," pursuant to 64 Stat. 1270	51,800		
"Salaries and expenses, Veterans' Administration," pursuant to 64 Stat. 1270	880,065		
Department of Agriculture, pursuant to 64 Stat. 1270:			
"Salaries and expenses, Forest Service," national forest protection and maintenance	30,575		
"Salaries and expenses, Forest Service," forest and range management investigations	4,500		
"Forest development roads and trails"	5,400		
"Flood control"	2,200		
"Salaries and expenses, Soil Conservation Service"	1,162		
"Salaries and expenses, Soil Conservation Service," soil conservation operations	181		
"Salaries and expenses, Farmers' Home Administration"	248		
"Operating and administrative expenses, Federal Crop Insurance Corporation"	375		
Treasury Department, pursuant to 64 Stat. 1270:			
"Salaries, Office of Administrative Services"	89,500		
"Miscellaneous expenses"	15,500		
"Salaries and expenses, guard force, Treasury Department buildings"	28,759		
"Strategic and critical materials, General Services Administration," pursuant to 64 Stat. 1056 and 65 Stat. 58	14,000,000	12,000,000	
"Salaries and expenses, Veterans' Administration," pursuant to 41 U. S. C. 217		7,758	
"Service-wide operations, Navy," pursuant to 41 U. S. C. 217		41,000	
"Maintenance and operations, Army," pursuant to 41 U. S. C. 217		518,187	
Transferred to "Expenses of defense production, Executive Office of the President," pursuant to Public Law 45	−300,000		
Adjusted appropriation or estimate	107,841,489	119,916,945	128,000,000
Balance transferred (pursuant to 64 Stat. 1270) from Department of Agriculture:			
"Administrative expenses, sec. 392, Agriculture Adjustment Act of 1938"	6,430		
"Local administration, sec. 388, Agriculture Adjustment Act of 1938"	354		*
Proposed supplemental due to pay increases		5,759,000	
Reimbursements from other accounts	45,034,640	47,097,444	40,465,600
Total available for obligation	152,882,913	172,773,389	168,465,600
Unobligated balance, estimated savings	−315,233		
Obligations incurred	152,567,680	172,773,389	168,465,600
Comparative transfer to "Expenses, general supply fund"	−2,826,534		
Total obligations	149,741,146	172,773,389	168,465,600

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
Direct obligations			
PUBLIC BUILDINGS SERVICE			
1. Buildings management:			
(*a*) Operations	$66,119,839	$69,877,500	$74,844,192
(*b*) Rents	7,518,370	26,087,000	33,120,808
2. National industrial reserve	18,968,111	14,366,800	2,384,000
3. Real property acquisition and utilization	1,112,538	1,585,000	1,748,000
4. Surplus property management and disposal	834,345	627,000	627,000
FEDERAL SUPPLY SERVICE			
7. Supply management	113,997	132,100	201,200
8. Purchasing	470,287	596,600	596,700
9. Personal property utilization and disposal	285,168	522,700	626,300
10. Commodity specifications	438,320	493,400	620,000
11. Commodity cataloging	579,900	994,300	994,900
12. Commodity inspection	112,499	183,600	319,300
13. Traffic management	185,952	342,900	428,600
NATIONAL ARCHIVES AND RECORDS SERVICE			
14. Records management	193,541	380,000	400,000
15. Records centers	1,058,149	2,200,545	3,576,000
16. Microfilming	54,175	55,000	55,000
17. National Archives	1,245,980	1,410,000	1,410,000
18. Federal Register	217,610	230,000	233,000
19. Roosevelt Library	68,307	68,200	77,000
EXECUTIVE DIRECTION AND STAFF OPERATIONS			
20. Executive direction	453,570	485,200	485,000
21. Financial management	2,164,264	2,463,500	2,526,500
22. Administrative management	1,603,406	1,608,500	1,677,000
23. Legal	419,952	405,300	449,000
24. Information	39,360	40,500	45,000
25. Compliance	85,736	136,700	138,000
26. Contract settlement	48,240	54,300	52,500
Total direct obligations	104,706,506	125,675,945	128,000,000
Obligations Payable Out of Reimbursements From Other Accounts			
PUBLIC BUILDING SERVICE			
1. Buildings management	44,536,704	46,500,000	40,000,000
3. Real property acquisition and utilization	95,690	60,000	33,600
FEDERAL SUPPLY SERVICE			
11. Commodity cataloging	3,000	8,244	----------
NATIONAL ARCHIVES AND RECORDS SERVICE			
14. Records management	2,446	14,000	10,000
17. National Archives	17,800	35,000	35,000
18. Federal Register	----------	1,200	----------
EXECUTIVE DIRECTION AND STAFF OPERATIONS			
21. Financial management	149,600	190,000	147,000
22. Administrative management	229,400	289,000	240,000
Total obligations payable out of reimbursements from other accounts	45,034,640	47,097,444	40,465,600
Total obligations	149,741,146	172,773,389	168,465,600

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Summary of Personal Services			
Total number of permanent positions	25,981	25,726	25,936
Full-time equivalent of all other positions	541	524	519
Average number of all employees	23,854	24,036	25,249
Average salaries and grades:			
General schedule grades:			
Average salary	$4,089	$4,460	$4,467
Average grade	GS–5.9	GS–5.9	GS–5.9
Crafts, protective and custodial grades:			
Average salary	$2,718	$3,058	$3,051
Average grade	CPC–3.4	CPC–3.5	CPC–3.5
Ungraded positions: Average salary	$2,395	$2,544	$2,637
Personal service obligations:			
Permanent positions	68,946,510	78,178,764	82,478,227
Part-time and temporary positions	1,219,225	1,331,226	1,318,746
Regular pay in excess of 52-week base		300,362	317,966
Payment above basic rates	2,565,342	2,687,485	2,740,950
Total personal service obligations	72,731,077	82,497,837	86,855,889
Direct obligations			
01 Personal services	61,523,439	67,378,693	72,453,639
02 Travel	351,802	422,940	500,798
03 Transportation of things	403,007	285,937	281,730
04 Communication services	474,092	472,331	490,165
05 Rents and utility services	15,011,043	34,164,199	41,918,087
06 Printing and reproduction	517,159	494,595	505,999
07 Other contractual services	17,256,857	14,445,193	2,986,286
Services performed by other agencies	104,812	60,844	148,000
08 Supplies and materials	6,508,842	6,621,728	7,593,199
09 Equipment	2,326,719	1,085,563	861,967
10 Lands and structures	151,466	150,000	150,000
11 Grants, subsidies, and contributions	168		
13 Refunds, awards, and indemnities	9,232	5,000	3,000
15 Taxes and assessments	67,868	88,922	107,130
Total direct obligations	104,706,506	125,675,945	128,000,000
Obligations Payable Out of Reimbursements From Other Accounts			
01 Personal services	11,207,638	15,119,144	14,402,250
02 Travel	11,567	8,085	7,458
03 Transportation of things	12,070	12,487	12,168
04 Communication services	5,498,676	6,570,979	6,721,537
05 Rents and utility services	22,869,251	19,533,070	13,506,191
06 Printing and reproduction	26,557	24,464	24,089
07 Other contractual services	2,942,365	2,815,553	2,805,733
08 Supplies and materials	2,385,028	2,956,513	2,912,772
09 Equipment	73,421	41,617	53,223
15 Taxes and assessments	8,067	15,532	20,179
Total obligations payable out of reimbursements from other accounts	45,034,640	47,097,444	40,465,600
Total obligations	149,741,146	172,773,389	168,465,600

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$9,804,548	$18,355,342	$13,193,177
Adjustments in obligations of prior years	695,537		
Obligations incurred during the year	152,567,680	172,773,389	168,465,600
	163,067,765	191,128,731	181,658,777
Deduct:			
Reimbursable obligations	45,034,640	47,097,444	40,465,600
Unliquidated obligations, end of year	18,355,342	13,193,177	15,275,945
Adjustment in obligations of prior years		1,700,000	
Obligated blance carried to certified claims account	4	238,110	417,232
Total expenditures	99,677,779	128,900,000	125,500,000
Expenditures are distributed as follows:			
Out of current authorization	91,415,808	109,388,000	115,500,000
Out of prior authorizations	8,261,971	14,000,000	9,753,000
Out of anticipated 1952 supplemental for pay increases		5,512,000	247,000

EMERGENCY OPERATING EXPENSES

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$15,000,000	$40,750,000	$27,845,000
Transferred to "Salaries and expenses, Defense Materials Procurement Agency," pursuant to 16 F. R. 8791		−115,000	
Adjusted appropriation or estimate	15,000,000	40,635,000	27,845,000
Unobligated balance, estimated savings	−288,593		
Obligations incurred	14,711,407	40,635,000	27,845,000
Comparative transfer from "Expenses of defense production, Executive Office of the President"	5,962,824		
Comparative transfer to "Salaries and expenses, Defense Materials Procurement Agency"		−50,000	
Total obligations	20,674,231	40,585,000	27,845,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Buildings management	$19,958,823	$39,327,790	$27,359,000
2. Space acquisition and utilization	86,089	162,800	125,000
3. Expediting construction	400,000		
4. Claimant agency functions	8,192	123,000	
5. Federal Register functions	8,076	124,185	
5. Microfilming (vital records)		364,000	
7. Staff operations	120,341	483,225	361,000
8. Defense production coordination	92,710		
Total obligations	20,674,231	40,585,000	27,845,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions	191	192	114
Average number of all employees	59	184	114
Average salaries and grades:			
General schedule grades:			
Average salary	$3,923	$4,276	$3,969
Average grade	GS–6.3	GS–6.3	GS–5.8
Ungraded positions: Average salary	$10,250		
01 Personal services:			
Permanent positions	$242,378	$771,290	$450,910
Part-time and temporary positions	11,018		
Regular pay in excess of 52-week base		3,117	1,736
Payment above basic rates	6,024		
Total personal services	259,420	774,407	452,646
02 Travel	31,644	42,950	32,400
03 Transportation of things	1,341	7,000	
04 Communication services	5,809	20,425	14,450
05 Rents and utility services	4,892,585	20,561,550	18,458,000
06 Printing and reproduction	5,856	,0,324	2,565
07 Other contractual services	15,168,842	18,747,715	8,879,000
Services performed by other agencies		255,000	
08 Supplies and materials	1,651	95,140	4,800
09 Equipment	6,559	9,350	
13 Refunds, awards, and indemnities	300,000		
15 Taxes and assessments	524	1,139	1,139
Total obligations	20,674,231	40,585,000	27,845,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year		$7,902,183	$702,183
Obligations incurred during the year	$14,711,407	40,635,000	27,845,000
	14,711,407	48,537,183	28,547,183
Deduct unliquidated obligations, end of year	7,902,183	702,183	2,847,183
Total expenditures	6,809,224	47,835,000	25,700,000
Expenditures are distributed as follows:			
Out of current authorizations	6,809,224	40,635,000	24,997,817
Out of prior authorizations		7,200,000	702,183

Renovation and Improvement, Federal Buildings Outside District of Columbia

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$10,000,000	$4,500,000	$5,500,000
Prior-year balance available	973,725	391,093	
Total available for obligation	10,973,725	4,891,093	5,500,000
Balance available in subsequent year	−391,093		
Obligations incurred	10,582,632	4,891,093	5,500,000

Obligations by activities

Renovation of buildings and equipment:

1951	$10,582,632
1952	4,891,093
1953	5,500,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions	73	66	56
Average number of all employees	67	54	54
Average salaries and grades:			
General schedule grades:			
Average salary	$5,041	$5,537	$5,488
Average grade	GS-8.5	GS-8.6	GS-8.4
01 Personal services:			
Permanent positions	$343,368	$298,350	$296,360
Regular pay in excess of 52-week base		1,150	1,140
Payment above basic rates	444	300	300
Total personal services	343,812	299,800	297,800
02 Travel	56,912	40,000	50,000
03 Transportation of things	1,337	1,000	1,000
04 Communication services	1,776	1,200	1,500
06 Printing and reproduction	58,688	28,000	35,000
07 Other contractual services	8,902,274	4,023,893	4,499,200
Performed by "Construction"services, public buildings, General Services Administration"	441,506	196,000	239,000
08 Supplies and materials	2,126	1,200	1,500
09 Equipment	771,130	300,000	375,000
10 Lands and structures	3,000		
15 Taxes and assessments	71		
Obligations incurred	10,582,632	4,891,093	5,500,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$7,899,609	$6,696,894	$1,587,987
Obligations incurred during the year	10,582,632	4,891,093	5,500,000
	18,482,241	11,587,987	7,087,987
Deduct unliquidated obligations, end of year	6,696,894	1,587,987	1,787,987
Total expenditures	11,785,347	10,000,000	5,300,000
Expenditures are distributed as follows:			
Out of current authorizations	11,785,347	2,912,013	3,712,013
Out of prior authorizations		7,087,987	1,587,987

Repair, Preservation, and Equipment, Outside the District of Columbia

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$10,000,000	$9,000,000	$10,000,000
Reimbursements from other accounts	45,993	50,000	50,000
Total available for obligation	10,045,993	9,050,000	10,050,000
Unobligated balance, estimated savings	−118,045		
Obligations incurred	9,927,948	9,050,000	10,050,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
Direct Obligations			
1. Repairs to buildings and equipment	$9,881,955	$9,000,000	$10,000,000
Obligations Payable Out of Reimbursements From Other Accounts			
1. Repairs to buildings and equipment	45,993	50,000	50,000
Obligations incurred	9,927,948	9,050,000	10,050,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Summary of Personal Services			
Total number of permanent positions	516	509	418
Average number of all employees	461	427	412
Average salaries and grades:			
General schedule grades:			
Average salary	$4,849	$5,309	$5,314
Average grade	GS-8.0	GS-8.0	GS-8.0
Crafts, protective, and custodial grades:			
Average salary	$3,198	$3,508	$3,493
Average grade	CPC-6.4	CPC-6.4	CPC-6.4
Personal service obligations:			
Permanent positions	$1,798,941	$1,825,885	$1,823,297
Regular pay in excess of 52-week base		7,115	7,103
Payment above basic rates	8,981	6,000	6,000
Total personal service obligations	1,807,922	1,839,000	1,836,400
Direct Obligations			
01 Personal services	1,789,525	1,817,100	1,814,500
02 Travel	81,485	100,000	100,000
03 Transportation of things	15,512	15,000	15,000
04 Communication services	17,809	18,000	18,000
05 Rents and utility services	2,754	3,000	3,000
06 Printing and reproduction	56,532	55,000	55,000
07 Other contractual services	6,068,835	5,404,900	6,141,500
Performed by "Construction services, public buildings, General Services Administration"	140,553	136,000	152,000
08 Supplies and materials	1,046,664	950,000	1,000,000
09 Equipment	661,318	500,000	700,000
15 Taxes and assessments	968	1,000	1,000
Total direct obligations	9,881,955	9,000,000	10,000,000
Obligations Payable Out of Reimbursements From Other Accounts			
01 Personal services	18,397	21,900	21,900
08 Supplies and materials	27,596	28,100	28,100
Total obligations payable out of reimbursements from other accounts	45,993	50,000	50,000
Obligations incurred	9,927,948	9,050,000	10,050,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimat
Unliquidated obligations, start of year	$3,210,166	$4,101,067	$3,301,067
Adjustment in obligations of prior years	18,525		
Obligations incurred during the year	9,927,948	9,050,000	10,050,000
	13,156,639	13,151,067	13,351,067
Deduct:			
Reimbursable obligations	45,993	50,000	50,000
Unliquidated obligations, end of year	4,101,067	3,301,067	4,101,067
Obligated balance carried to certified claims account	30,902		
Total expenditures	8,978,677	9,800,000	9,200,000
Expenditures are distributed as follows:			
Out of current authorizations	6,094,721	5,698,933	5,898,933
Out of prior authorizations	2,883,956	4,101,067	3,301,067

Refunds Under Renegotiation Act

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$7,400,000	$8,500,000	$9,300,000
Reimbursements from Reconstruction Finance Corporation	454,229		
Total available for obligation	7,854,229	8,500,000	9,300,000
Unobligated balance, estimated savings	−1,360		
Obligations incurred	7,852,869	8,500,000	9,300,000

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Rebate payments	$7,378,107	$7,431,450	$8,762,600
2. Refund payments	474,762	1,068,550	537,400
Obligations incurred	7,852,869	8,500,000	9,300,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
13 Refunds, awards, and indemnities	$7,801,395	$8,420,000	$9,250,000
14 Interest	51,474	80,000	50,000
Obligations incurred	7,852,869	8,500,000	9,300,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$1,200,000	$1,383,906	
Obligations incurred during the year	7,852,869	8,500,000	$9,300,000
	9,052,869	9,883,906	9,300,000
Deduct:			
Reimbursable obligations	454,229		
Unliquidated obligations, end of year	1,383,906		
Adjustment in obligations of prior years	2		
Total expenditures	7,214,732	9,883,906	9,300,000
Expenditures are distributed as follows:			
Out of current authorizations	6,014,734	8,500,000	9,300,000
Out of prior authorizations	1,199,998	1,383,906	

Expenses, General Supply Fund

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate		$15,075,000	$19,613,000
Reimbursements from other accounts		186,619	214,450
Total available for obligation		15,261,619	19,827,450
Unobligated balance, estimated savings		−1,077,106	
Obligations incurred		14,184,513	19,827,450
Comparative transfer of indirect operating expenses from "Operating expenses, General Services Administration"	$2,826,534		
Comparative transfer of direct operating expenses paid from "General supply fund, General Services Administration"	5,208,408		
Total obligations	8,034,942	14,184,513	19,827,450

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
Direct Obligations			
1. Purchasing	$1,486,135	$2,275,881	$3,356,100
2. Stores operations	3,578,465	5,554,031	7,351,685
3. Equipment management and maintenance	27,829	65,087	66,200
4. Commodity inspection	251,167	574,601	795,650
5. Space and related costs	800,948	2,742,224	4,848,715
6. Staff operations	1,714,313	2,786,070	3,194,650
Total direct obligations	7,858,857	13,997,894	19,613,000
Obligations Payable Out of Reimbursement From Other Accounts			
2. Stores operations	151,933	158,756	175,193
4. Commodity inspection	24,152	27,863	39,257
Total obligations payable out of reimbursements from other accounts	176,085	186,619	214,450
Total obligations	8,034,942	14,184,513	19,827,450

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Summary of Personal Services			
Total number of permanent positions	2,201	2,444	3,230
Full-time equivalent of all other positions	48	39	42
Average number of all employees	1,623	2,364	3,163
Average salaries and grades:			
General schedule grades:			
Average salary	$3,566	$4,127	$4,002
Average grade	GS–5.0	GS–5.0	GS–5.0
Crafts, protective and custodial grades:			
Average salary	$2,444	$2,858	$2,805
Average grade	CPC–3.1	CPC–3.0	CPC–3.1
Ungraded positions: Average salary	$2,911	$2,975	$3,000
Personal service obligations:			
Permanent positions	$5,327,901	$9,194,376	$12,017,646
Part-time and temporary positions	97,568	81,633	96,065
Regular pay in excess of 52-week base		36,859	47,839
Payment above basic rates	212,326	6,988	44,088
Total personal service obligations	5,637,795	9,319,856	12,205,638
Direct Obligations			
01 Personal services	5,500,694	9,174,001	12,038,944
02 Travel	59,227	151,278	178,665
03 Transportation of things	72,965	54,025	75,059
04 Communication services	124,267	162,368	209,497
05 Rents and utility services	443,792	2,140,361	4,377,579
06 Printing and reproduction	212,464	230,785	382,953
07 Other contractual services	961,051	1,699,342	1,850,052
08 Supplies and materials	437,212	374,071	477,201
09 Equipment	41,134		
15 Taxes and assessments	6,051	11,663	23,050
Total direct obligations	7,858,857	13,997,894	19,613,000
Obligations Payable Out of Reimbursements From Other Accounts			
01 Personal services	137,101	145,855	166,694
02 Travel	613	3,440	3,840
03 Transportation of things	1,698	1,800	2,036
04 Communication services	7,149	3,765	7,225
05 Rents and utility services	14,407	16,920	16,875
06 Printing and reproduction	561	160	660
07 Other contractual services	7,935	7,959	9,320
08 Supplies and materials	6,443	6,680	7,440
15 Taxes and assessments	178	40	360
Total obligations payable out of reimbursements from other accounts	176,085	186,619	214,450
Total obligations	8,034,942	14,184,513	19,827,450

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year			$1,428,894
Obligations incurred during the year		$14,184,513	19,827,450
		14,184,513	21,256,344
Deduct:			
Reimbursable obligations		186,619	214,450
Unliquidated obligations, end of year		1,428,894	2,323,894
Total expenditures		12,569,000	18,718,000
Expenditures are distributed as follows:			
Out of current authorizations		12,569,000	17,339,106
Out of prior authorizations			1,378,894

Strategic and Critical Materials

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate	$3,038,548,370	$790,216,500	$225,000,000
Transferred to "Operating expenses, General Services Administration," pursuant to 64 Stat. 1056 and 65 Stat. 58	−14,000,000	−12,000,000	
Adjusted appropriation or estimate	3,024,548,370	778,216,500	225,000,000
Applied to contract authorization	−240,000,000	−200,000,000	−70,000,000
Contract authorization	−125,000,000		
Prior year balance available:			
Appropriation	82,177,952	997,331,073	740,000,000
Contract authorization	16,074,405		
Reimbursements from non-Federal sources	69,232,031	55,250,000	192,350,000
Total available for obligation	3,077,032,758	1,630,797,573	1,087,350,000
Balance available in subsequent year (appropriation)	−997,331,073	−740,000,000	
Obligations incurred	2,079,701,685	890,797,573	1,087,350,000

Note.—Reimbursements from non-Federal sources above are from sale of perishable materials under the rotation program (50 U. S. C. 98).

Obligations by activities

Description	1951 actual	1952 estimate	1953 estimate
1. Acquisition of materials	$2,054,225,654	$834,261,101	$1,043,479,537
2. Receipt and custody of materials	25,476,031	56,536,472	43,870,463
Obligations incurred	2,079,701,685	890,797,573	1,087,350,000

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
Total number of permanent positions	907	1,005	943
Full-time equivalent of all other positions	4	6	6
Average number of all employees	741.0	950	949
Average salary and grades:			
General schedule grades:			
Average salary	$4,109	$4,448	$4,499
Average grade	GS–6.2	GS–6.2	GS–6.2
Crafts, protective, and custodial grades:			
Average salary	$2,521	$2,876	$2,840
Average grade	CPC–3.3	CPC–3.3	CPC–3.3
Ungraded positions: Average salary	$2,559	$4,247	$5,286
01 Personal services:			
Permanent positions	3,002,950	4,173,464	4,224,173
Part-time and temporary positions	42,303	60,000	57,500
Regular pay in excess of 52-week base		15,615	16,169
Payment above basic rates	57,174	14,000	16,000
Payments to other agencies for reimbursable details	4,275	5,055	3,355
Total personal services	3,106,702	4,268,134	4,317,197
02 Travel	181,862	363,140	213,900
03 Transportation of things	4,373	4,829	6,606
04 Communication services	61,540	72,550	72,275
05 Rents and utility services	14,934	22,250	22,250
06 Printing and reproduction	51,025	45,837	42,137
07 Other contractual services	23,404	51,050	55,325
Services performed by other agencies	4,096,137	5,023,029	3,700,000
08 Supplies and materials	37,216	68,200	64,510
Purchase and acquisition of materials	2,062,979,510	845,710,800	1,058,544,000
09 Equipment	45,870	20,000	11,800
10 Lands and structures	9,096,626	35,147,754	20,300,000
15 Taxes and assessments	2,486		
Obligations incurred	2,079,701,685	890,797,573	1,087,350,000

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Unliquidated obligations, start of year	$864,954,051	$2,220,942,445	$2,256,490,018
Obligations incurred during the year	2,079,701,685	890,797,573	1,087,350,000
	2,944,655,736	3,111,740,018	3,343,840,018
Deduct:			
Reimbursable obligations	69,232,031	55,250,000	192,350,000
Unliquidated obligations, end of year	2,220,942,445	2,256,490,018	2,051,490,018
Total expenditures	654,481,260	800,000,000	1,100,000,000
Expenditures are distributed as follows:			
Out of current authorizations:			
Out of appropriations to liquidate prior-year contract authorization	654,481,260	200,000,000	70,000,000
Out of new obligational authority		200,000,000	75,000,000
Out of prior authorization		400,000,000	955,000,000

Archival Drawings, Executive Mansion

Amounts available for obligation

	1951 actual	1952 estimate	1953 estimate
Appropriation or estimate			$40,000
Balance available in subsequent year			−7,500
Obligations incurred			32,500

Obligations by activities

Design, etc.: 1953 ..... $32,500

Obligations by objects

Object classification	1951 actual	1952 estimate	1953 estimate
06 Printing and reproduction			$500
07 Other contractual services:			
Performed by "Construction services, public buildings, General Services Administration"			32,000
Obligations incurred			32,500

Analysis of expenditures

	1951 actual	1952 estimate	1953 estimate
Obligations incurred during the year			$32,500
Deduct unliquidated obligations, end of year			1,500
Total expenditures			31,000
Expenditures out of current authorizations			31,000

Mr. THOMAS. Gentlemen, will the committee please come to order.

We have with us this morning the General Services Administration.

Gentlemen, it is nice to see you all.

Mr. Larson, do any of your staff have a statement first? We will be delighted to listen to you.

GENERAL STATEMENT

Mr. LARSON. Mr. Chairman, this committee is pretty thoroughly familiar with our activities. You have been patient with us from the creation of this agency, and you have followed our progress, or lack of progress, about as closely as anybody in the Congress. I wouldn't burden you with a lot of details so I will summarize it informally.

I have a prepared statement that I would like to submit for the record.

(The information above referred to is as follows:)

Mr. Chairman and members of the committee, once again it is a pleasure for me and my staff to appear before you for the purpose of explaining the proposed programs of the General Services Administration for the fiscal year 1953, and to justify the appropriation estimates for financing these programs.

We hope the material which we have presented in justification of the estimates has been prepared in a manner which will facilitate an evaluation by the committee. With this in mind, I hope the committee will allow me a few moments at this time for a few brief comments on our estimates as a whole.

As you know, the General Services Administration is basically the service agency of the Federal Government responsible for providing office and related space and common-use commodities and services, and for promoting effective management of real property, personal property, and records. Related to these basic responsibilities are several special programs such as construction of buildings, stockpiling, and so forth.

Eight items of appropriation for General Services Administration are included in the Budget for 1953, totaling $425,298,000. This is less than half of the funds provided for comparable items during 1952 which totaled $975,391,500.

I believe it is important to the evaluation of our estimates to high-light the policies which governed the determination of the decreased amount for 1953 which are as follows:

1. No new construction programs for sorely needed Federal buildings, the voluntary rescission of $33,375,000 of unobligated contract authorization for building construction, and the deferral of any substantial expansion in most activities beyond 1952 performance, all in deference to the needs of the National Defense Programs of other agencies.

2. No expansion in going programs and activities beyond that which would produce economies in Government operations greater than the cost of such expansion.

3. Maximum absorption of increases in programs, performance, and expense within existing organizational, staffing, and financial capacities.

4. Decrease in new obligational authority for the stockpiling program by $435 million due to two developments: (*a*) a decision to initially finance certain long-term contracts which expand productive capacity or supply of materials from Defense Production Act borrowing authority; and (*b*) availability of balances from the 1952 appropriation resulting from the necessity for flowing substantial quantities of materials directly into the defense program during 1952 rather than into the stockpile.

Thoughtful application of these policies to the programs originally planned for GSA for 1953 have resulted in substantially reduced appropriation estimates to provide only a minimum outlay of funds to support minimum programs of necessities for which this Administration is responsible—and in many cases, solely responsible—with the minimum necessary service to other agencies in carrying out their operations.

OPERATING EXPENSES

Basic operations of the General Services Administration are supported by the "Operating expenses" appropriation. The estimate for 1953 is $128 million or $14,324,055 more than is estimated to be available during 1952. Appropriate portions of these increases are set forth in detail in the explanations and justifications of each of the 26 activities financed by this appropriation.

Dollarwise, one of the principal operations involves GSA in the role of "landlord" for other Government agencies. Enactment during the past years of Reorganization Plan No. 18 of 1950 and Public Law 754, Eighty-first Congress, has greatly increased the scope of "landlord" operations by transferring to GSA a large volume of such operations formerly performed by other agencies. This increase in scope has accounted for over 90 percent of the increase in the budget estimate for "Operating expenses" to $128 million for 1953, over the appropriation of $78.5 million for 1951. As arrangements are consumated for the transfer each year to GSA of portions of this workload, not only have the appropriations of the transferee agencies been reduced in equivalent or greater amounts, but the work has actually been performed at a lower cost to the Government as reflected in the appropriations of GSA.

In addition to the "landlord" role, the basic operation of GSA supported by this appropriation is the establishment and supervision of the systems of real property, personal property, and records management. Since the creation of GSA on July 1, 1949, progress toward the achievement of this major mission has been gradual, as has been directed by this committee and as limited by the funds made available for this purpose. Although progress toward the over-all objective is difficult to measure precisely, the facilities and staffing necessary to meet the objective are deficient, perhaps to the extent of some 40 to 50 percent in 1952. The estimate for 1953 proposes a small further advance toward the objective to reduce the deficiency to some 20 to 30 percent. The advance proposed for 1953 is largely confined to those programs and activities which have demonstrated savings and economies which will exceed the expense of expanding operations.

A summary reconciliation of the estimate for 1953 with funds estimated to be available during 1952, both in millions of dollars, is as follows:

1952 funds	$113.7
Appropriation in annual act	104.5
Supplemental appropriation for increased rental and other rates	2.8
Proposed supplemental for pay act costs	5.8
Funds transferred from other agencies for personnel records center	.6
Additions to programs	14.3
Transfers under reorganization plan No. 18	9.0
Partial restoration of 1952 reduction in building services	3.1
Annualization of portions of 1952 program	.7
Further advancement toward objectives of Public Law 152	1.5
1953 budget estimate	128.0

I think it important to the evaluation of the estimate for 1953 to take into consideration that, of the increase of $14.3 over 1952, (1) approximately $9.3 million in reductions have been reflected in the budget estimates of other agencies to correspond to "landlord" functions and other activities transferred to this Administration; (2) $0.4 million is to annualize the operation of the three records centers approved by this committee for establishment during 1952; (3) $3.1 million is to partially alleviate the difficulties which other agencies are enduring due to the reduction in "landlord" services during 1952 as a result of reduction in the 1952 appropriation; and (4) $1.5 million to finance the small measure of further progress toward the objectives of the Federal Property Act which I mentioned previously.

EMERGENCY OPERATING EXPENSES

Operations corresponding in general nature to the basic functions of the General Services Administration financed under "Operating expenses," but which either arise out of the current national emergency, or are materially increased thereby, are financed by the "Emergency operating expenses" appropriation.

Last year, two appropriations were made under this item. One was for $9,250,000 to cover operations arising out of the Defense Production Act. The other was for $31,500,000 to cover operations in connection with expansions of the Department of Defense and defense-related agencies.

A similar division of the appropriation is again necessary for 1953 for the reason that the Defense Production Act, effective during 1952, and authorizing appropriations for only that year, will expire June 30, 1952.

The program as to numbers of employees of the defense and DPA agencies for which GSA is to provide office space and related services is customarily supplied to this Administration by the Bureau of the Budget. From the estimate standpoint, this Administration applies its estimate of the cost of space per square foot, estimates the cost of alternations of space to fit the contemplated occupancy, and estimates the cost of related services. At the time the budget was prepared, it was judged that the appropriations for 1952 might be inadequate to finance the requirements for expanded employment of the defense and defense-production programs as supplied by the Bureau of the Budget. Accordingly, provision was made in the financial program of the Government for 1952, as set forth in the 1953 budget, for $6,400,000 of supplemental appropriations.

As of today, it is our judgment that it will not be necessary to request such a supplemental appropriation.

The budget estimate of $27,845,000 under this head for 1953 is limited to the defense agency portion of the program and is a reduction of $3,655,000 below the corresponding appropriation for 1952. At the time the budget was prepared, it was estimated that the cost for Defense Production Act agencies and functions for 1953 would be $8,800,000.

The scope of the defense agency portion of the program for 1953 is simply a continuation of the space and related services necessary to accommodate the expanded civilian employment as of June 30, 1952, according to the number of positions supplied by the Bureau of the Budget for the Department of Defense and defense-related agencies (but excluding Defense Production Act agencies).

RENOVATION AND IMPROVEMENT

This is the fourth time that this comittee will have considered estimates for appropriations for this item under the authorization for $30,000,000 contained in title III of Public Law 105, approved June 16, 1949. The program was intended to provide the most needed major renovations and improvements to Government buildings outside the District of Columbia selected from the list of 5,441, such buildings constructed or purchased at a cost of approximately $1,000,000,000 and containing over 102,500,000 gross square feet of floor space. This program is limited to projects costing in excess of $25,000 each, although the average is actually close to $110,000. A similar program for projects costing less than $25,000 each is financed by the "Repair, preservation, and equipment" appropriation item which follows.

For each of the first 2 years, $10,000,000 was appropriated for this program. However, in deference to the accelerated national security program, the appropriation for 1952 was held down to $4,500,000 and restricted to projects which were either defense-related or essential to meet critical civilian needs.

The program proposed for 1953 is predicated on the same restriction as to essential projects as the program for 1952. The estimate of $5,500,000 covers the unappropriated balance of the authorization, although it is inadequate to provide for all of the most essential projects qualifying under the restriction.

It is hoped that the present Congress will extend this program in order to protect and preserve the tremendous investment in buildings and equipment outside the District of Columbia.

REPAIR, PRESERVATION, AND EQUIPMENT

Normal minor repairs costing less than $25,000 each which are necessary for the upkeep of 5,441 Government buildings and appurtenances outside the District of Columbia constructed or purchased at a cost of approximately a billion dollars and containing over 102,500,000 gross square feet of floor space are supported by this appropriation. These buildings are the same as discussed under the preceding "Renovation and improvement" appropriation item which provides for projects costing in excess of $25,000 each.

The budget estimate for this item is $10,000,000 which would restore the annual level of appropriations of years prior to 1951. Reduction in this program is false economy in the face of increasing age and deterioration of the buildings, gradual increase in the number of buildings subject to repairs, and increasing costs of labor and materials. All of these factors combine to increase each year the backlog of repairs necessary to preserve the Government's investment, to facilitate the operations of tenant agencies, and to restore damage by normal wear and tear as well as that due to fires, floods, windstorms, and other casualties.

Although a proper standard of maintenance calls for an expenditure in excess of 10 cents per square foot, the estimate has been held at that rate in deference to expenditures for the national defense.

REFUNDS UNDER RENEGOTIATION ACT

This appropriation finances the payment of refunds and rebates due World War II contractors which must be made upon the certification of claims filed by them under title VII of the Revenue Act of 1943 and title II of the Renegotiation Act of 1951.

As the latter act established October 31, 1951, as the final date for filing claims, it now appears feasible that an estimate of the total amount of appropriations for this purpose can be made based on past experience as to ratios of payments to claims. As of that date 3,914 claims had been filed for a gross amount of $203,106,986 which it is estimated would result in net rebate payments of $41,749,626. In addition, it is estimated that orders of the United States Tax Court will require refund payments of $3,022,768. Thus the total program is estimated at this time to require appropriations of $44,772,394 of which $27,172,590 has been provided, leaving a balance of $17,599,804 to be appropriated.

Although the amount which remains to be appropriated could be computed on the basis of past performance, no such exact pattern is available to guide a forecast of the exact time when individual payments in varying amounts will be certified either from the Bureau of Internal Revenue or the United States Tax Court.

This uncertainty as to timing of payments was reflected in setting the budget estimate for 1953 at $9,300,000. The original estimate for 1953 contemplated the balance to be appropriated of some $17,600,000 of which $8,300,000 was proposed as a 1952 supplemental and $9,300,000 as the budget estimate for 1952. Owing to the uncertainty of timing of payments during 1953, the matter of the supplemental was held in abeyance, although the budget estimate for 1953 was recommended at $9,300,000 as requested.

As to the deferred $8,300,000, it cannot be foretold at this time whether the full amount will be necessary as a 1952 supplemental, or what part would be necessary in 1952 and what part in 1953 in addition to the budget estimate. However, provision is made in the appropriation language for 1953 to remove the fiscal year limitations from current and future appropriations for this item in order to provide for the uncertainties of timing of payments, which have either caused returns to the Treasury of as much as $22.5 million of appropriated funds in 1 year, or necessitated supplementing the annual appropriation in another.

The plain fact is that payments of such refunds and rebates as are made from this appropriation are overdue and the appropriation should be adequate at all times to make such payments immediately upon proper certification.

EXPENSES, GENERAL SUPPLY FUND

The "Expenses, general supply fund" appropriation finances the operation of the Nation-wide system of supply warehouses from which common-use commodities are sold at cost to Government agencies. The cost of the commodities is financed by a revolving fund, the general supply fund, which is reimbursed by the payments made by agencies for commodities received. This is a basic function and program of GSA. It is equally essential to the achievement of the objectives of the Federal Property Act as are the basic operations for supply functions under the "Operating expenses" appropriation.

Economies in the Government attributable to operations connected with the general supply fund are substantial. Recognition of this profitable operation caused the Congress to increase the appropriated capital from $10,000,000 to $44,000,000 during 1951. However, for 1952 operations were restricted by reducing the budget estimate from $18,426,000 to $15,000,000 and placed a specific limitation on personal services that had the effect of reducing the appropriation an additional 12 percent.

The budget estimate for 1953 is $19,613,000, an increase of $4,613,000 or 30.8 percent, over the appropriation for 1952. This increase will finance an expansion in operations which can produce a stores sales program increase of 42.1 percent in number of sales and 65.8 percent in dollar volume of sales. It is believed that this will result in a stores sales program that will give the maximum economies which can be supported by the existing appropriated capital of $44,000,000.

As in the case of activities under "Operating expenses," which also lead to the achievement of the objectives of the Federal Property Act, progress in this program has been gradual. This has not been due to any lack of customer demands as they have already exceeded the capacity of the stores system to satisfy. Deficiency in capacity of the stores system is explained by two major causes: (1) Physically, the increase in warehouse space to house the expanded inventories and operations in the 10 regions has not been immediately available and has had to be acquired as opportunity presents in one or another regions; and (2) financially, even though the space problem has been solved, the reduced appropriation for 1953 coupled with the limitation on the amount available for personal services is such that it is impossible to man the operations for the limited program possible under the appropriation.

For 1953 it is expected that the warehouse-space problem will have been solved to the point where the full inventory under the $44,000,000 appropriated capital can be accommodated. Accordingly, the estimate for expenses of operations has been formulated so as to provide for the warehouse space and staffing necessary to expand sales and to realize maximum economies which have been hitherto beyond our reach for the reasons in the preceding paragraph.

During the period of expansion of the stores program, the initial expenditures for warehouse space, space alterations, moving into the new warehouses, setting up the increased inventory, and so forth, require appropriations in excess of the requirements for continuing operations. However, once the expansion is financed and accomplished, appropriations will be reduced to reflect only the proportional cost of operations which has been decreasing each year of operation under GSA from 7.13 percent in 1950 to 5.79 percent in the program proposed for 1953.

The fundamental reason for requesting an increase for this item for 1953 is the resulting economies. During 1951 reductions in the Government's supply bill resulting from operations under the general supply fund was approximately $11,000,000. This saving amounted to $1.60 for each $1 spent for operations for a total sales program of $110.5 million for that year. Savings at no less than the 1951 rate are contemplated during 1952 and 1953 for sales program expansions to $180.5 million and $254.9 million respectively. Realization of the 1953 objective is conditional, of course, on the appropriation being adequate to support the operation.

ARCHIVAL DRAWINGS, EXECUTIVE MANSION

This is a new, but nonrecurring, appropriation item to support a special project for preparing for posterity a permanent record of the physical features of the White House following its complete renovation during the past 2 years.

This project was included in a supplemental estimate for the renovation of the Executive Mansion recommended by the President directly to the Senate on August 17, 1951 (S. Doc. No. 58). The Senate Appropriations Committee did not feel that the cost of archival drawings was a proper item to be included in the cost of renovation, but that it would be more appropriately included among the annual budget estimates for 1953.

No other funds have been appropriated to GSA for this purpose and it is important to historians, as well as to posterity in making repairs, adjustments, replacement, and improvements, to have available the permanent records herein proposed. It is a matter of economy that the archival drawings be prepared contemporaneously with the conclusion of the renovation while technicians are available and working records are intact.

STRATEGIC AND CRITICAL MATERIALS

Acquisition and stockpiling of raw materials of strategic and critical importance for supplementing natural resources of the Nation and other dependable sources in times of national emergency are supported by this appropriation item.

Through the period from 1947 to 1952, the Congress has appropriated some $5,000,000,000 for this purpose. At the end of November 1951, the stockpile inventory was valued at $3.4 billion at prices as of that date and by the end of 1953 it is expected to reach $5,000,000,000 at those prices.

The budget estimate for 1953 of $225,000,000 includes $70,000,000 for liquidating prior contract authorization, $14,000,000 for the cost of rotation of materials, $46,806,000 for expenses connected with operating the stockpile, and $94,194,000 for new purchases of materials. This estimate is $565,216,500 less than was appropriated in 1952. The decrease is accounted for by three factors: (1) Provision of $130,000,000 less for liquidating contract authorizations; (2) availability of borrowing authority under the Defense Production Act for obligating long-term contracts for certain raw materials; and (3) availability in 1953 of balances of funds available during 1952 due to the necessity of flowing substantial quantities of raw materials directly into the defense program instead of into the stockpile during that year.

The cumulative effect of these factors will be to support purchase and delivery programs during 1953 approximately the same, but slightly greater, than during 1952 and provide for an orderly progress toward the stockpile objectives.

SPECIFIC STATEMENT ON EXECUTIVE DIRECTION AND STAFF OPERATIONS AS A WHOLE

Before going into the details of the estimates I would like to make a few remarks applicable to the total situation on staff operations financed by all appropriations.

I am concerned over the inadequacy of financing available for staff support of the operations of this administration. This inadequacy became obvious during 1951, the first year of operation of GSA under its own appropriations, and the committee's attention was drawn to the tightness of the 1952 estimates for staff operations. Since that time, the situation has grown progressively more acute. The ratio of amounts provided in appropriations and estimates of appropriations for staff operations to amounts for program operations have progressively declined to the point where staff operations can no longer support program operations adequately.

An example of the relative decline in financing staff operations is set forth on page 133 of part I of the justification. There the ratio of cost of staff opera-

tions to operating programs financed under "Operating expenses" is given as 5.3 percent for 1951, declining to 4.6 percent in 1952, and to 4.2 percent in the 1953 estimate. For true comparison with 1951, 0.4 percent which was due to pay act increases effective July 8, 1951, should be deducted from 1952 and 0.3 percent from 1953, giving comparable ratios of 5.3 percent for 1951, 4.2 percent for 1952 and 3.9 percent for 1953.

I would expect that the ratio would decline somewhat since 1951. I have promoted, and every responsible staff officer in GSA has enthusiastically responded in, efforts to increase efficiency, to reduce paper work and to simplify administrative processes of all natures. But, at the same time, I have directed that staff operations provide operating officials accurately and promptly the support and information essential to them in managing and in improving the managing and in improving the mangement of operations for which they are responsible. A most optimistic expectancy of fruits of economies and efficiency in staff operations could hardly be expected to produce a reduction of 28 percent. The plain fact is that staff support of operating programs is deficient. Support in providing services and information when and as needed is lagging, which in turn impairs the efficent management of operations.

But this situation is not confined to operating expenses. Our integrated staff operations must support all programs of GSA, performance of which involves expenditures of over a billion dollars a year.

Based on actual expenditures for 1951 and estimates of expenditures for 1952 and 1953, all as set forth in tables prepared by the Bureau of the Budget which were transmitted to the Congress in the budget for 1953, the relation of the expense for staff support to operating program expenditures is startling. It is less than 1 percent. As the amount of expenditure provides the clearest measure of the volume of work actually accomplished or to be accomplished, it means that GSA has actually accomplished a measurable volume of work and service at a cost of less than 1 percent for, not overhead, but for the supporting staff operations which are essential to the performance of program operations.

Startling though that fact may be, my concern is not just limited to the inadequacy of financing for staff operations, but extends to the year-by-year decline in the adequacy of such financing. For 1951, the ratio of all staff operations expense to all program expense was ninety-six hundredths of 1 percent, for 1952 it has been budgeted at ninety-two hundredeths of 1 percent, and the estimate for 1953 provides for only seventy-six hundredths of 1 percent.

I am deeply sincere in my concern over the situation as it exists today and I hope that I have made this situation clear to the members of the committee and that they will evaluate the estimates for staff operations in the light of the inadequacies set forth.

Operating expenses—Ratio of executive direction and staff operations to program operations

	1951	1952	1953
Total funds or estimate (exclusive of NIR transfers, 1951–52)	$90,706,506	$113,675,945	$128,000,000
Executive direction and staff operations	$4,814,528	$5,194,000	$5,373,000
Ratio as shown in 1953 budget (percent)	5.3	4.6	4.2
Less pay act increases		$408,863	$400,281
Total	$4,814,528	$4,785,137	$4,972,719
Ratio (percent)	5.3	4.2	3.9

I would like to point out that our request this year, as you have no doubt noted, is a little less than half of the apprporiated sums that were provided for this agency in 1952. Of course, the biggest reduction is in "Strategic and critical materials."

We have spent a lot of time in the preparation of the justifications for the budget that you have before you. I am sorry that it is so voluminous, but, as you know, our responsibilities are increasing, and I think you will find——

Mr. THOMAS. If I may interrupt there, at that point, we have gone over the budget very carefully and put a lot of time on it, and it is an

excellent presentation. The only point that is lacking in it is one point, a consolidated table of other objects. But, of course, that is in the printed copy of the bill, so that might cure it to some extent. But by and large it is excellent, and you certainly have put a lot of time on it.

Mr. LARSON. I appreciate that. I am sorry if we overlooked anything, but I think you will find the table on page 204 of part I.

BASIS FOR ESTIMATES FOR 1953

We prepared this budget with three policies in mind. First of all, we laid down a rule that there should be no expansion of any going program over 1952 beyond what could absolutely be justified as bringing about greater economies in the operations of the Government and the cost of such expansion. I think you will find very little expansion.

The second principle that we laid down was that in any expansion there had to be maximum absorption in our going staffing pattern.

The third principle was that we would include no new construction programs.

The stockpile program was reduced materially for two principal reasons. The most important was that, in view of the stepped-up defense requirements and the shortages of critical materials that heretofore have flowed into the stockpile, that greater quantities of these materials have had to be diverted or initially acquired for those purposes rather than for stockpiling.

The second point is that it has been decided to initially finance the long-term contracts, contracts that run 5 years or more for critical materials, out of Defense Production Act buying authority rather than direct buying authority for critical materials, inasmuch as that authority for allocation between stockpiling and defense needs is set forth therein anyway.

That is about all I have to say in that connection.

COMPARISON OF APPROPRIATIONS

I would like to take a minute and call your attention to this chart behind me, which will give you a quick summary of the comparison between appropriations for 1951 and 1952 and 1953 requested appropriations.

You will note at this time we are coming up for an item "Emergency operating expenses," which was handled separately last year. It is the second item. There are nine items of appropriation requests this year, totaling $425,298,000.

In comparing our normal "Operating expense" item, which finances the basic operations of General Services Administration, the Congress allowed us last year $104,500,000 in the annual act and a supplemental of $2,850,000 for increased rents. After that the Pay Act was passed and a supplemental appropriation will be requested for $5,759,000, which brings the total up to $113,109,000. The request for $128 million is made for "Operating expenses" item for 1953, with approximately 12 million of that 14 million increase in the operation of public buildings, as we will note as we go along.

The $27,845,000 as compared with $40,750,000 is requested for "Emergency operating expenses," and there will be an additional

amount to come up in that category later. This $27,845,000 covers only the Department of Defense and related defense agencies. The estimated for space for Defense Production Act agencies will be submitted later because of the fact that the act under which they operate expires on June 30, 1952, as you know, and the Bureau of the Budget decided not to send the estimate up until the decision is made as to the continuation of that act; $5,500,000 is an increase of $1,000,000 over the appropriation for 1952 for renovation of public buildings outside of the District of Columbia. That liquidates the $30 million appropriation authorization under Public Law 105 of the Eighty-first Congress.

Ten million dollars is raising back up to the sum we have had all along in the repair and preservation of buildings outside the District of Columbia, an item which we will go into later on, with which this committee is familiar.

Refunds on the Renegotiation Act: It is hoped that this activity can eventually be transferred to the present Renegotiation Board, but in the legislative history of the passage of the present Renegotiation Act, the Congress didn't see fit to do that. So we are still charged with the responsibility of liquidating the old renegotiated contracts under the World War II Act.

Increase in the "Expenses, general supply fund" will be explained in our presentation.

Forty thousand dollars is for drawings for the renovated White House, and $225,000,000 is requested for strategic and critical material items.

Last year there were 11 items. Three of those have been eliminated this year and one new one added. A total of nine items.

That is the over-all picture.

Mr. PHILLIPS. Your second figure doesn't correspond to your book here. The $40 million in 1952 and the $27.8 in 1953—it shows $35,700,000 here.

Mr. LARSON. Is that the figure on page 10?

Mr. PHILLIPS. Yes.

1952 SUPPLEMENTALS

Mr. LARSON. There is a supplemental appropriation in that item.

Mr. PHILLIPS. You show the proposed supplemental as 11.4, which would make it 47.1.

Mr. CAMERON. The total on the board is $31.5 million plus nine million two-fifty. The supplementals are broken into four million two and two million two. That is shown on the page opposite 11.

Mr. PHILLIPS. Those supplementals are pending?

Mr. CAMERON. They are included in the President's budget.

Mr. LARSON. Those are pending supplemental items. This chart was made in the interest of brevity, not to clutter it up with detail.

Mr. THOMAS. That is right. It is made up of two items for 1952.

Mr. LARSON. Both of which were passed by the Congress.

Mr. THOMAS. The second one will come up in the deficiency because it deals with the Defense Production Act—the defense production agencies, not the defense production crowd.

Mr. LARSON. That nine million two hundred and fifty was the second item that came up in 1952. So the total would be $40 million.

Mr. THOMAS. Does that complete your statement?

Mr. LARSON. Yes, Mr. Chairman.

I presume that you want to hear this in the normal order, and we can go into "Operating expenses" of the General Services Administration next.

APPROPRIATION LANGUAGE

Mr. THOMAS. We want to get a little general information into the record at this point.

Your appropriating language is in just about as bad a shape, from the committee's point of view, as anything we can imagine. Your "Operating expenses" generally cover four or five big fields. They include the National Archives, Public Buildings and Grounds, and your Federal Supply Service.

Then in addition to that, covered in "Operating expenses," you have some seven or eight other appropriating heads.

The committee is leaning toward the idea of breaking this "Operating expense" down into its component parts, maybe three or five subheads in addition to your other subheads, thereby much simplifying it for the committee, making it simpler to handle, and we think it will be simpler for you to handle. Would you care to comment on that?

Mr. LARSON. Of course, we will abide by whatever decision the committee makes, but in the presentation of our request we have tried to follow the procedures and policies laid down in the Budgeting and Accounting Procedures Act of 1950, I think it is called, which heads in the direction of consolidation of appropriation items in the interests of the simplification of accounting and control.

AUTHORITY OF ADMINISTRATOR

Mr. THOMAS. The backbone of your activities goes back to the old Federal Property and Administrative Services Act of 1949 and the other programs—some six or eight, which you have in addition to that are more or less ancillary thereto. Just what does that act of 1949 do with reference to the component agencies that it covers; namely, the Federal Supply, your Archives, and your Public Buildings?

By that question I simply mean this: Does the act impose a super layer upon those three agencies or does the act wipe out the authority of those three agencies, which were drawn together and placed in the General Services Administration, and thereby placed the authority normally had by the Commissioner of Public Buildings and Grounds, et cetera, in the Administrator for the General Services Administration?

Mr. LARSON. Very specifically, it does just that, Mr. Chairman.

CONSOLIDATION OF AGENCIES INTO GSA

Mr. THOMAS. I want at this point in the record that part of the act dealing with that consolidation. Would you please read it?

Mr. LARSON. Public Law 152, Eighty-first Congress, title I, section 103 (a), which reads as follows:

All functions of the Federal Works Agency and of all agencies thereof, together with all functions of the Federal Works Administrator, of the Commis-

sioner of Public Buildings, and of the Commissioner of Public Roads are hereby transferred to the Administrator of General Services.

There is hereby transferred to the General Services Administration, the Public Roads Administration, which shall hereafter be known as the Bureau of Public Roads, and all property, personnel, obligations, and commitments of the Federal Works Agency, including those of all agencies of the Federal Works Agency.

There is hereby abolished the Federal Works Agency, the Public Buildings Administration, the Office of Federal Works Administration, the Office of Commissioner of Public Buildings, and the Office of Assistant Federal Works Administrator.

Section 104 does the same thing insofar as National Archives are concerned.

Section 105 does the same thing insofar as the old War Assets Administration is concerned.

Section 102, which I skipped, does the same thing insofar as Department of the Treasury activities then existing, including the Bureau of Federal Supply, and responsibility under the Renegotiation Act and contract settlement are concerned.

Mr. THOMAS. Since the passage of that act, by reorganization plan, the Bureau of Public Roads has been transferred from General Services Administration to the Department of Commerce; correct?

Mr. LARSON. That is correct.

Mr. THOMAS. But no place in that act that I have been able to find does the act abolish the functions, as they existed toward public buildings, as far as public buildings and grounds are concerned. It merely abolished some of the titles and transferred them over to General Services, but the functions have not been abolished.

Mr. LARSON. They certainly have not, and there is no intention of doing so. On the contrary, the functions have been expanded by this act as well as subsequent acts of the Congress, notably plan 18.

Mr. THOMAS. Since the functions have not been abolished in drawing these agencies together, the upshot has been to superimpose on those functions that have existed all along more administration.

Can anybody disagree with that statement?

Mr. LARSON. I disagree with that very decidedly, Mr. Chairman. No additional administration has been superimposed on these functions. These functions have been brought together and integrated so that less administration is necessary for them.

Mr. THOMAS. That is a mere use of words. No place in this budget can you point your finger to a decrease in operating expense. So, if you didn't superimpose more administration upon administration, what do you call it?

DECREASED COST OF ADMINISTRATION

Mr. LARSON. There has been a decrease in the cost of operation as a result of integration, and it is reflected in the over-all operations of this administration.

Mr. THOMAS. Where can you put your finger on those savings?

Mr. LARSON. You mean so far as dollars and cents are concerned or so far as the operation is concerned?

Mr. THOMAS. Dollars and cents.

Mr. LARSON. I will give you an example, if I may refer to one of our charts here, as to what over-all tying together has done in the relationship between, let us say, space and records.

SAVINGS FROM RECORDS CENTERS

Mr. THOMAS. When we get over to that, there is a serious question in my mind whether you saved a dime by transferring those records from the agencies as far as your budget is concerned. When we go over to the records, we will go into that, because I have two or three questions in my mind.

Mr. LARSON. I am a little bit amazed at what you say, Mr. Chairman. Let's take as an example here the over-all plan of records management, a part of which was the establishment of a records center here in the District of Columbia for servicing these States in this area. That records center was established over in Alexandria.

Mr. THOMAS. In the over-all picture you show you have emptied 180,000 steel cabinets, but there is nothing in the budget estimate that comes before this committee, including some 30 or 40 agencies—and not one has not asked for an increase in those items. So where is the over-all saving?

Mr. LARSON. If the agency is asking for additional equipment, it reflects these savings——

Mr. THOMAS. The justification doesn't. What happened to the 180,000 filing cabinets that you received?

Mr. LARSON. The Bureau of the Budget has deducted such savings as we have been able to accomplish from the requests of the various agencies.

This particular operation alone emptied 217,000 cubic feet of records, or an equivalent of 217,000 cubic feet of space, which was costing $2.29 per cubic foot, or a total of $496,000. That is the relationship between records management and space management or real property management.

You asked for an example. That is an example of what an integrated program can accomplish. If these programs had been conducted entirely separately, with no relation to one another, that would never have occured.

There are less administrative costs necessary in the operation of public buildings under the General Services Administration than would have been required if we had continued an independent status of the Public Buildings Administration.

Mr. THOMAS. What do you have to back that up? In looking over Public Buildings and Grounds' administrative staff all the way through for the last 3 or 4 years, there hasn't been one nickel saved in number of jobs or other objects.

Mr. LARSON. Mr. Chairman, that is because the program has expanded tremendously. The responsibilities have expanded over 100 percent.

RATIO OF STAFF OPERATIONS TO PROGRAMS

I presume what you are talking about is the Executive Direction and Staff Operations, the overhead cost of that.

Of course, most of the Departments of the Government—at least I know the larger departments—do not show this in their appropriation requests at all. It is there, but it is allocated to the operations.

Here is the way it has been running. In 1951 this staff in "Executive direction" had to manage and handle and do the administrative work necessary to properly administer the funds obligated under the

program made by the Congress—$958,000,000 plus. Ninety-six one hundredths of one percent was the cost of the staff operation.

For 1952, $1,255,000,000 plus was the workload of the GSA, dollar-wise, and the "Executive direction and staff operations" cost went down very slightly to ninety-two one hundredths of 1 percent.

In 1953 the expenditures of the General Services Administration will be $1,565,000,000 plus, and the staff comes down to seventy-six one hundredths of 1 percent, or a steady decrease in the staff direction and executive management, which can only be accomplished by integration. It is the same principle of any large organization.

Mr. THOMAS. But out of your "Operating expenses" about 93 percent of it is chargeable to public buildings and grounds. Where can you show that public buildings and grounds administrative expenses have gone down during that time of operation, during that period of consolidation, so to speak?

Mr. LARSON. It is included in that same figure. If you want to go back, taking the item which you are about to consider, "Operating expenses," alone, which you indicate you think ought to be a separately appropriated item, on the basis of $90,700,000 direct obligations in 1951, the "Executive direction and staff operations" was 5.3 percent. This request is down to 4.2 percent for 1953, again a decrease. We have more than doubled our workload. Yet, the proportion for staff operations has gone down, and as it should go down, but not so far.

The increase in amount has been necessary because of the new programs or the increased programs that the Congress has approved for this agency, and I do not think you can find a system under which you can operate it more cheaply, Mr. Chairman.

If I didn't feel that way about it, I would quit. If we haven't accomplished that, we haven't accomplished one of our main objectives.

EXECUTIVE DIRECTION AND STAFF OPERATIONS

Mr. THOMAS. In addition to your executive direction and management item, which is quite sizable——

Mr. LARSON. What item are you talking about?

Mr. THOMAS. The "Executive direction and management operation."

Mr. LARSON. The "Executive direction and staff operations"?

Mr. THOMAS. I guess that is what you call it.

In Public Buildings, how many people do you have doing that same or similar type of work in addition to your superstaff?

Mr. LARSON. Absolutely none. The people shown in Public Buildings on the table which you have before you, as well as the tables in the book, are operating people. All of the administration, all of the staff services, are included in this item "Executive direction and staff services, are included in this item "Executive direction and staff operations." All of the accounting, the auditing, the fiscal work in connection with Public Buildings, all of the personnel work, the office services—messenger, reproduction, et cetera—are all included in this item "Executive direction and staff operations."

In addition, there is included, as these tables indicate and as our charts indicate, the regional organization in this item.

Mr. THOMAS. Of course, in the 10 regional offices you have the same functions being performed there that you have in the District of Columbia and under executive direction and management.

Mr. LARSON. Not exactly. In the Department in Washington there is a general supervision of the operation and the tying together of the operation for the country as a whole. The regional director is responsible for his part of the program in his geographical area, and he ties that program together.

(The following was submitted later:)

Mr. Chairman, this question of the cost of "Executive direction and staff operations" is one which I have watched closely, ever since the creation of the General Services Administration. Two years ago we furnished the committee a table which showed conclusively that our costs for this item were coming down. I would like to bring that table up to date and insert it in the record at this point.

(The information referred to is as follows:)

Executive direction and staff operations

ALL APPROPRIATIONS OR FUNDS

	Average employment (1)	Amount (2)	Program expenditures (3)	Percent ratio column 2 to column 3 (4)
1949 (prior to GSA)	5,896.6	$31,477,001	$507,670,086	6.2
1950 (GSA)	2,376.8	12,292,111	574,394,845	2.1
1951 (GSA)	1,924.6	9,231,131	958,618,442	.96
1952 (GSA)	2,260.4	[1] 11,541,422	1,255,218,200	.92
1953 (GSA)	2,360.8	[2] 11,920,677	1,565,792,413	.76

[1] Pay-act increase of $824,748 included.
[2] Pay-act increase of $724,680 included.

"OPERATING EXPENSES" (DIRECT OBLIGATIONS ONLY)

1949 (prior to GSA)	5,040.8	$28,014,469	$143,326,250	19.5
1950 (GSA)	1,394.0	9,305,827	100,877,294	9.2
1951 (GSA)	868.6	4,814,528	90,706,506	5.3
1952 (GSA)	867.7	[3] 5,194,000	113,675,945	4.6
1953 (GSA)	894.2	[4] 5,373,000	128,000,000	4.2

[3] Pay-act increase of $408,863 included.
[4] Pay-act increase of $400,281 included.

ESTIMATES OF APPROPRIATIONS

Mr. THOMAS. At this point, Mr. Reporter, will you insert page 10. It is numbered page 10 on the back. Also insert pages 17 and 18, dealing with the operating expenses.

OPERATING EXPENSES

It says [reading]:

The President has included in the budget for 1953 $128,000,000 for this item, which is $20,650,000 more than actual appropriations under this head for 1952.

(The pages referred to are as follows:)

Comparison of appropriations for 1952 with estimates in the budget for 1953

[Presented in the order shown in the 1952 act and supplemental acts]

	1952		1953
	Detail	Total	
1. Operating expenses:			
Annual act (Public Law 137)	$104,500,000		
Supplemental act (Public Law 253)	2,850,000		
Proposed supplemental (pay act)	5,759,000		
		$113,109,000	$128,000,000
2. Emergency operating expenses:			
(a) Defense agencies (Public Law 253)	31,500,000		
Proposed supplemental	4,200,000		
		35,700,000	27,845,000
(b) Defense production agencies	9,250,000		
Proposed supplemental	2,200,000		
		11,450,000	(1)
3. Renovation and improvement		4,500,000	5,500,000
4. Repair, preservation, and equipment		9,000,000	10,000,000
5. Refunds under Renegotiation Act [2]		8,500,000	9,300,000
6. Expenses, general supply fund:			
Annual act (Public Law 137)	15,000,000		
Supplemental act (Public Law 253)	75,000		
		15,075,000	19,613,000
7. Strategic and critical materials (Public Law 253)		790,216,500	225,000,000
8. Archival drawings, Executive Mansion			40,000
9. Land and improvements (Chicago post office)		8,768,000	
10. Renovation of Executive Mansion:			
Annual act (Public Law 137)	100,000		
Supplemental act (Public Law 253)	261,000		
		361,000	
11. General supply fund (Public Law 253)		1,100,000	
Total		997,779,500	425,298,000

[1] Submission deferred pending passage of defense production legislation for 1953.
[2] See following text relative to probable supplementals.

OPERATING EXPENSES

In general

Basic normal operations of the General Services Administration are financed by appropriations made under this "Operating expenses" item. The President has included in the budget for 1953 $128,000,000 for this item, which is $20,650,000 more than actual appropriations under this head for 1952. As has become customary, the program and performance for 1953 has been subdivided into 26 activities, each of which is explained and justified separately.

Growth of buildings management

One of the principal activities financed by this appropriation is buildings management, which involves GSA in the role of landlord. GSA must provide for the general-purpose space requirements of the several agencies in accordance with economical utilization and management standards. For many years this relationship was confined to space in Government-owned buildings in Washington, and certain Government-owned and a few leased buildings in the field. Expansion of many Government agencies, particularly in the field, has resulted in a substantial increase in space requirements, mostly in leased space, due to the lack of Government-owned buildings or any substantial program for constructing them. In meeting these expansions, many agencies acted as their own landlord and obtained appropriations for meeting the expense until after the approval of Reorganization Plan 18 of 1950 which made GSA the sole landlord for leased space and for most of the Government-owned buildings containing general-purpose space. As GSA has gradually taken over its role of sole landlord, the cost of providing the space for other agencies has been deducted year by year from their respective estimates and added to those of this Administration. Thus the cost to the Government for the specialized services by GSA has not been increased. On the contrary, it has decreased due to greater economy and efficiency of operation as well as reductions in the amounts of supporting appropriations. However, recent appropriations have been reduced below the point where, in

the face of increased rents, cost of supplies and utilities, an acceptable landlord relationship with other agencies cannot be provided through economy and efficiency alone.

Progress in the systems of management

With respect to the establishment and policing of the systems of real property, personal property, and records managements, progress toward the objectives of the Federal Property Act has been slow due to lack of adequate annual appropriations. As appropriations for 1950 were not designed for the objectives of the Federal Property Act, only organizational and other ground work could be accomplished during that year. Very little in the nature of appropriation was provided during 1951 for implementing the preparatory work of 1950. Reductions in the 1952 appropriation were so great that very little continued progress can be anticipated; in fact, it became necessary in some activities to cut back below 1951 performance.

The request for 1953 does not provide for full achievement of the objectives of the Federal Property Act. Some further advance toward those objectives is provided and it is hoped that it will be reflected in the appropriation as finally approved.

Although the rate of progress toward the ultimate objectives of the Federal Property Act is not measurable in exact units of performance, relative evaluation of the portions of the objectives achieved or to be achieved is expressible in percentages with reasonable approximation.

For the 4 years since the establishment of GSA an expression of such an approximation of the implementation of the objectives of the Federal Property Act in terms of provisions for staffing and other facilities for achieving those objectives, rather than in terms of liquidating backlogs of workload, is expressed for each of the three systems of management prescribed by the act as follows:

[Percent]

	1950	1951	1952	1953
Real-property management	45–50	50–55	60–65	80–85
Personal-property management	15–20	20–25	35–40	50–55
Records management	5–10	25–30	55–60	90–95

The purpose in setting forth these estimates is to illustrate that, since its establishment in 1950, GSA has not been provided with financing adequate to support a level and quality of operations which are necessary to achieve the objectives of the Federal Property Act. Much is expected of GSA and GSA has achieved a reasonable optimum of results within the funds made available to it, largely through economies in operations by the application of technical skills and administrative competence. The estimate for 1953 includes provision for some further advancement toward the objectives, but full achievement of them will remain for future financing.

TOTAL AVERAGE EMPLOYMENT

Mr. THOMAS. How many employees did you have in 1952 and how many are you seeking in 1953? You have two or three tables here, but the tables are conflicting in that regard. The best I can figure out is about a thousand increase.

Mr. LARSON. I am not aware of any conflict.

On page 136 of part II you have a consolidated table which shows a comparison between 1952 and 1953.

Mr. THOMAS. You have a half-dozen tables there.

Mr. LARSON. It is broken down in such form as this committee has previously asked. It is the one on page 136.

Mr. THOMAS. What is the total number of employees in 1952 and what are you seeking in 1953?

Mr. LARSON. What we finance, as we discussed last year, as you will remember, is the average employment. The money is asked to cover average employment for all of the activities of the General Services Administration. For "Operating expenses," average employment is on the second line at the top of that table. The average employment for 1952 was 24,036 and for 1953 is 25,249.

Mr. THOMAS. That is only chargeable to operating expenses?

Mr. LARSON. That is right.

Mr. THOMAS. What is the total of all your activities?

Mr. LARSON. That is the line just above that.

Mr. THOMAS. I am not going to ferret it out of your green sheets. Let's look here at page 136. For 1952 you have 29,591 and for 1953 you have 31,787.

Mr. LARSON. First, you are taking figures which are not in the budget. That includes a portion of "Emergency operating expenses" which are not in the budget, Defense Production Act, revolving fund, and transfers under Mutual Security Agency allocations.

Mr. THOMAS. Under your table here, average employment for 1952, you list 29,591. The average employment for 1953 is 31,787.

Mr. LARSON. That is right, but that includes, as that table shows, in 1952, 2,057 more people than requested in this budget and 700-odd more people than requested in 1953.

Mr. THOMAS. Come up with a firm figure.

Mr. LARSON. The total GSA employment in this budget is at the top of the page, 29,034 for 1952 and 31,080 for 1953.

Mr. THOMAS. 29,034 for '52?

Mr. LARSON. That is right.

Mr. THOMAS. And 31,080 for 1953?

Mr. LARSON. That is right.

Mr. THOMAS. Roughtly, an increase of over 2,000 people?

Mr. LARSON. That is right.

Mr. THOMAS. As and when your emergency funds to the tune of anywhere from 9 to 13 million dollars comes in, you will have to add those employees in addition to this figure of 31,000.

Mr. LARSON. We estimate that figure dollarwise will be eight million eight.

Mr. THOMAS. And it was nine million two hundred and fifty for 1952.

Mr. LARSON. That is right.

PAY ACT COSTS

Mr. THOMAS. What did your pay act cost you in its entirety for 1952?

Mr. LARSON. That was about $10,003,000.

Mr. THOMAS. It is here. You are seeking a deficiency of $5,800,000 and you absorbed all except under your "Operating expenses." That is all chargeable to your "Operating expenses," namely, $5,759,000. It is in the neighborhood of about $1,500,000. I have forgotten the exact figure. That was the figure that was absorbed in some five or six of your programs.

Mr. LARSON. We are absorbing about $4,200,000.

REIMBURSEMENTS TO AND FROM OTHER AGENCIES

Mr. THOMAS. How much money do you pay out a year to other agencies for services that they perform for you and how much do you take in 1952 and 1953 for service you perform for other agencies?

Mr. LARSON. I don't know whether we can give you that first figure right now, but it is a minor amount. We can give you the second one.

REIMBURSEMENTS FROM OTHER AGENCIES

Mr. THOMAS. And which is not accounted for in this budget.

Have you some reimbursable figures there?

Mr. LARSON. They are all in here. They are set forth for '52 on page 5 of part I which gives you the appropriated funds and reimbursements. The reimbursements for '52 are two-hundred-and-eighty-three-odd million.

Mr. THOMAS. Is that what you take in from other agencies for services which you perform for them, or is that what you pay out?

Mr. LARSON. That is what we expect to take in, which includes the sales, of course, that we make from our supply stores.

REIMBURSEMENTS TO AND FROM OTHER AGENCIES

Mr. THOMAS. I am asking you for the amount of money that you pay out to other agencies for services they perform for you and the amount you take in for services performed by you for other agencies.

REIMBURSEMENTS TO OTHER AGENCIES

Mr. LARSON. I am not aware that we pay out much of anything to other agencies for services performed for us.

Mr. THOMAS. I think you set it out around $60,000. How much do you take in from other agencies?

Mr. PHILLIPS. $60,844 for this year.

Mr. LARSON. Services performed by other agencies, $60,884, and $100,000 estimated for '53.

REIMBURSEMENTS FROM OTHER AGENCIES

Mr. THOMAS. Can't you give us the breakdown of the funds you received from other agencies which you performed for them and the dollar amount of the agencies?

Who pays you? What agencies and in what amounts?

Mr. LARSON. It is paid by numerous agencies occupying space not covered by our appropriations which is serviced by General Services Administration, plus those agencies that have repair work or other work to be performed in GSA shops. The figure for '52 is $47,097,444, and it is estimated for 1953 there will be $40,465,600.

Mr. THOMAS. Is that $40,000,000 arrived at by virtue of Reorganization Plan No. 18?

Mr. LARSON. On page 200——

Mr. PHILLIPS. That includes stores—Mr. Chairman?

Mr. LARSON. No. That does not include stores.

That is item 5 on page 200 of volume I, which sets forth $46,500,000 on this as performed by Public Buildings Service; $8,992,976 of that was plan No. 18 in 1952, which is now included in this estimate.

INCREASED EXPENSES DUE TO REORGANIZATION PLAN NO. 18

Mr. THOMAS. Let the record show that in the reconciliation of your 1952 versus 1953 expenditures, that under Reorganization Plan No. 18 you have an increase in expenses for 1953 of $8,992,976, which you did not have in 1952. It is stated in your budget that the Bureau of the Budget had deducted this same amount from the various agencies to make up your total of $8,992,976. It should be stated that these are fixed amounts, based upon contracts, namely for rents; is that correct?

Mr. LARSON. Principally for rents and utilities and maintenance services. That is correct.

BUILDINGS MANAGEMENT REIMBURSEMENTS

Mr. REYNOLDS. May I make a statement?

Mr. THOMAS. Yes.

Mr. REYNOLDS. In 1952 reimbursement for rents, including operation, maintenance and inspection services, $29,000,000, and for 1953 there will be $22,500,000. Communication services, which we perform for all the agencies, is $7½ million for each of the 2 years. Then we do miscellaneous jobs in our shops. In 1952 that ran $15,000,000. We expect to continue at that rate. So for 1953 you will have approximately $40,000,000.

INCREASES OVER 1952

Mr. THOMAS. I am talking about what happened with reference to your activities under Reorganization Plan No. 18 as reflected in your 1953 budget, which is not reflected in 1953 to the tune of $8,992,976.

Mr. REYNOLDS. Those are functions that were performed in 1952 on a reimbursable basis and are now put into this appropriation request for 1953 and deducted from the agencies that previously had paid for them.

MAJOR ADDITIONS IN 1953 PROGRAM

Mr. THOMAS. I am trying to summarize your increase in 1953 over 1952. You have an item here in 1953 for $3,067,459 to partially restore curtailed building and management services. Then you want in the neighborhood here of $700,000 to carry out on an annual basis the three record centers and one in St. Louis that you set up in 1952 only for about 5 or 6 months, and then, in addition, you want another $700,000 for setting up three additional record centers, which will then give you 10 altogether.

Then you have another item of $775,000 additional for 1953 over 1952, which is made of $172,000 for real property management, $521,400 for personal property, $20,000 for records and $62,200 for administrative activities.

EMERGENCY OPERATING EXPENSES

But in order for this reconciliation table to more or less accurately show the difference between 1953 and 1952, 1952 had an item of $9,250,000 under your emergency program for public buildings and grounds with reference to DPA activities which is not reflected in your 1953 request. I believe you stated that sooner or later you will seek a supplemental for 1953 to the tune of about 8,200,000 to take care of that activity.

Mr. LARSON. The $9,250,000 has nothing to do with this appropriation. But the statement in regard to the supplemental for emergency operating expenses is correct.

Mr. THOMAS. That is right. I said a supplemental.

Mr. LARSON. If you add the 9,250,000, you have to take from it the 8,200,000. It is the same item for this year, only a million dollars difference, and that is in fact a million dollars less.

Mr. THOMAS. In other words, in your statement that your increase for 1953 over 1952 will be $20 million, that anticipates a deficiency of eight million two hundred thousand for DPA. How do you reconcile the two?

Mr. MEDLEY. The 9,900,000 which Mr. Larson indicated would come up in a supplemental for DPA activities pertains to an item in part II, the "Emergency operating expenses," and does not concern the main "Operating expenses" appropriation in any way.

Mr. THOMAS. Not even for administrative expenses?

Mr. MEDLEY. No, sir.

Mr. THOMAS. I gathered that was the case.

OPERATING EXPENSES

Mr. MEDLEY. In the table on page 10, to arrive at the difference of fourteen-odd million, we have included for 1952 the $5,759,000 proposed supplemental for Pay Act costs, which we have not yet received. The $20,650,000 difference is what we have actually had appropriated in 1952, which does not include the 5 million.

Mr. THOMAS. In other words, the 14.3 and 5.7 million make up the total of the 20 million you referred to?

Mr. LARSON. That is right.

Mr. PHILLIPS. How do you get your 14, Mr. Chairman?

Mr. THOMAS. Total the six or seven items on page 19.

PUBLIC BUILDINGS SERVICE

Mr. THOMAS. Mr. Reporter, will you insert the table on page 26, and the activities table at the bottom of page 26, the six activities: "Buildings management," "National industrial reserve," "Real property acquisition and utilization," "Surplus property management and disposal," "Buildings design and supervision," "Public utilities management."

BUILDINGS MANAGEMENT

Also page 28, which shows for 1952, 15,976 employees, while for 1953 there are 17,093 employees, at a cost for 1952 of $95,964,500 and for 1953 of $107,965,000.

Mr. LARSON. That is "Buildings management" only of Public Buildings Service.

Mr. THOMAS. That is the big item.

Mr. LARSON. That is right.

(The information referred to above is as follows:)

Service administration

	Amount	Average employment		
		Department	Field	Total
1952 program	$317,800	8	33	41
Change	+500			
1953 estimate	318,300	8	33	41

General administration over all programs assigned to PBS is provided in the central office by the Commissioner of Public Buildings and his deputy, assisted by an administrative officer. In the field, the Commissioner is represented by a deputy regional director for PBS in each of the 10 regions. This is the same staffing as provided for in 1952.

Organization and staffing of service administration are as follows:

	1951	1952	1953
Office of the Commissioner	4	4	4
Office of the Deputy Commissioner	2	2	2
Office of the Administrative Officer	2	2	2
Deputy regional directors (and staff)	25	33	33
Total	33	41	41

Basis of the estimate for 1953 and comparison of cost by objects are as follows:

Basis for 1953	1951	1952	1953
Personal services	$195,024	$286,973	$287,473
Travel (818 days, at $22)	11,130	18,000	18,000
Communications (41 positions, at $195)	7,563	8,000	8,000
Printing and reproduction	1,276	1,917	1,917
Other contractual services	676	810	810
Supplies (41 positions, at $51)	2,080	2,100	2,100
Equipment	292		
Total cost	218,041	317,800	318,300

The additional amount of $500 for personal services is to cover salary increases, authorized by Public Law 201, for 26 full pay periods in 1953 instead of for only 25½ pay periods in 1952.

Services Administration is not recognized as an activity under a performance-type budget; consequently, the expense is distributed among the program activities of this service on the basis of the time estimated to be spent by these employees in connection with the operating activities for 1953, and included in the estimates of each as follows:

Activities	Department	Field	Total
1. Buildings management	$28,969	$154,748	$183,717
2. National industrial reserve	3,400	18,075	21,475
3. Real property acquisition and utilization	12,560	68,367	80,927
4. Surplus property management and disposal		10,730	10,730
5. Buildings design and supervision	16,088		16,088
6. Public utilities management	5,363		5,363
Total	66,380	251,920	318,300

Buildings management

	Amount	Average employment		
		Department	Field	Total
1952 program	$95,964,500	99	15,877	15,976
Change	+12,000,500	+23	+1,094	+1,117
1953 estimate	107,965,000	122	16,971	17,093

HIGH-LIGHT STATEMENT

Management, operation, maintenance, and protection of 103,964,000 square feet of building space; repairs for 41,131,000 square feet of space in the District of Columbia; operation of joint-use communication services; and other related building services are provided by direct appropriation. Additional requirements over 1952 result from (1) 6,582,000 square feet of space, most of which was previously leased and operated on a basis of reimbursement from other agencies, (2) full support of operations in certain Government-owned buildings, construction of which was completed during 1952, and (3) partial restoration of the previous level of services curtailed in 1952.

The increase of $12,000,500 for 1953 is accounted for as follows:

Functions previously performed on a reimbursable basis including additional section 1, plan 18 space	$8,947,976
Additional space (Government-owned)	343,000
Restoration of services curtailed in 1952	2,967,459
Additional amount distributed for service administration	65
Total increase	12,258,500
Less amount for space released	−258,000
Total net increase	12,000,500

Of the increase for 1953, amounts comparable to $8,947,976 either have been deducted by the Bureau of the Budget from the 1953 estimates of the agencies and so reported by the agencies in justifications to the Congress, or have been deducted by the agencies in their requests for 1953. The total amount is for space and related services, including additional section 1, plan 18 leased space, now being furnished on a reimbursable basis.

The standard of services on which this estimate is based is a partial restoration to the quality level and frequency of services afforded in 1951 adjusted for price advances in salaries, rents, utilities, supplies, materials, equipment, and other costs. Reductions in the appropriation for 1952 were proportionally greater than reductions in workload. As a result, the quality level and frequency of services in the building operations under this activity had to be reduced to a substandard basis, considerably below commercial standards for equivalent occupancy and below the level recognizedly desirable for sanitary and healthful work space. The operations of the occupant agencies in carrying out their programs efficiently are correspondingly affected.

The management of building space, by the basic nature of factors essential thereto, involves items that are fixed and irreducible by any means other than release of the space. Such items, that are largely provided for by the funds in this activity, include, among others, the payments for rents and utilities. These two items alone for 1953 amount to $41,258,000 of which $33,120,808 is for rents and $8,137,192 is for utiliites. The balance of the estimate for "Buildings management," $66,707,000, is for operations, which are detailed later.

ACTIVITIES

Mr. THOMAS. You have some 5 other activities, such as national industrial reserve, real-property acquisition and utilization, surplus property management and disposal, buildings design and supervision, and public utilities management.

What is the total cost of six of those activities under "Public buildings and grounds"?

Mr. LARSON. $113,089,000.

Mr. THOMAS. Out of a total of how much? One hundred and twenty-eight million?

Mr. LARSON. That is right.

Mr. THOMAS. Chargeable to "Operating expenses"?

Mr. LARSON. That is correct.

BUILDING SPACE

Mr. THOMAS. It might be well to point out some of these figures. "Management, operation, maintenance, and protection of 103,964,000 square feet of building space."

LEASED SPACE PREVIOUSLY MANAGED ON A REIMBURSABLE BASIS

You are seeking in 1953 to add $12,000,500 and the table on page 28 shows what makes up that $12,000,500.

Can you put your finger on the table right quick regarding net square feet of leased space previously managed on a reimbursable basis for the occupant agencies?

Mr. LARSON. Page 34 is what you are looking for, I think. The total increase is 6,346,242 square feet.

Mr. THOMAS. Let us read into the record, at this time, Mr. Reporter, the table here showing this increase of 6,346,242 feet over 1952, and insert the table in the middle of page 34.

(The table referred to, on page 34, follows:)

Department or agency	Net area (square feet)	Annual cost
Agriculture	82,624	$152,735
Atomic Energy Commission	94,433	118,176
Civil Service Commission	10,987	15,818
Commerce	90,882	201,628
Defense	4,278,544	5,595,088
Federal Security Agency	7,004	13,998
Housing and Home Finance	7,338	62,136
Interior	306,526	363,561
Interstate Commerce Commission	2,807	7,878
Justice	81,459	203,212
Labor	7,545	17,821
National Labor Relations Board	10,515	21,923
Post Office	111,867	78,900
State	340,384	686,080
Treasury	610,224	1,352,602
Veterans' Administration	303,103	56,420
Total	6,346,242	8,947,976

MANAGEMENT OF SPACE TRANSFERRED TO BUILDINGS MANAGEMENT

I notice the Atomic Energy Commission here wants 94,000 square feet at a cost of $118,000. What is the AEC doing here? They have an appropriation that covers everything from soup to nuts.

Mr. LARSON. They transferred the management of that space to us.

Mr. THOMAS. Where is it located?

Mr. LARSON. I do not know. Mr. Reynolds, do you know?

Mr. REYNOLDS. No.

Mr. LARSON. That is administrative space under lease.

Mr. THOMAS. Does this table show the additional space you are going to have in 1953 over 1952?

Mr. REYNOLDS. Yes. It shows the space we will take over which is now under rental.

Mr. PHILLIPS. You mean you still are responsible for it now?

Mr. REYNOLDS. We operate it on a reimbursable basis and it is proposed to take it over into our appropriation.

Mr. PHILLIPS. It is going to be on a direct appropriation basis to you?

Mr. REYNOLDS. That is right. Their appropriations are reduced by a comparable amount or a similar amount.

Mr. THOMAS. Here is another item. Tell us something about that Atomic Energy for 94,000 square feet.

Mr. REYNOLDS. I haven't that answer. It is general purpose space. It is not attached to their plants.

Mr. PHILLIPS. It is in Washington?

Mr. REYNOLDS. Whether it is in Washington or not, I do not know.

Mr. THOMAS. Housing and Home Finance Agency, 7,338 square feet.

Veterans' Administration, 303,000 square feet.

RECORDS TAKEN OVER

Did you take over the Veterans' record center in Philadelphia? I believe the justification says that. You took over the one from the Army in St. Louis, and the one from the Navy out in Columbus, Ohio.

Mr. REYNOLDS. Columbus, Ohio, and the one in Philadelphia, at 5000 Wissahickon Avenue.

Mr. THOMAS. We will get to that.

When you take over the Army, Navy and Air Force and Veterans' Administration, as far as your records center is concerned, that is about 80 percent of the records in the Federal Government, isn't it?

Mr. LARSON. Let me clarify that. We took over only the files of separated civilian personnel of the Department of Defense, those files of civilians who were no longer working for defense. Under civil service laws and personnel regulations we have to keep those records for some time.

Mr. THOMAS. We will get over to that in a few minutes.

Mr. LARSON. This record will indicate here a completely erroneous statement. I would like to get it straightened out.

We took over the Department of Defense civilian personnel records, the civilian employee records. Similar records for other agencies were in over 2,000 locations. We are consolidating those at St. Louis.

The veterans are still the custodians of their active veterans files. It is only the files that they consider to be dead that come to our record centers. The space that they were using as a record center in Philadelphia has been vacated and was taken over by us and is being utilized now as general purpose space.

Veterans are consolidating all their records of the type kept at Philadelphia for the whole country out in Columbus, Ohio.

Mr. THOMAS. Where is the erroneous statement now?

Mr. LARSON. You said we were taking over all of the records of the veterans and all of the records of the Department of Defense, which involved 80 percent of the load.

Mr. THOMAS. If I said that, that was an error. I meant the employment, the civil service people of the armed services. You haven't taken over any records of the Veterans' Administration have you yet?

Mr. LARSON. No, except those records for separated personnel that they turned over to us to put in our center at St. Louis, or other types of records which are no longer necessary—administrative records.

The Department of Defense records that we have are only for separated civilians.

Mr. THOMAS. That is right.

Mr. LARSON. I am sure that the Congress is not fully aware of the burden it takes on when the Government employs an individual insofar as keeping that individual's records are concerned, because it has to be kept after the individual dies.

MANAGEMENT OF BUILDING SPACE

Mr. THOMAS. Let's get back to buildings and grounds.

What was the total figure there for buildings administration outside of building management, which was $107 million? Did it all figure out to $113 million for 1953?

Mr. LARSON. That is right.

Mr. THOMAS. I want to call your attention to the last paragraph on page 28.

> The management of building space, by the basic nature of factors essential thereto, involves items that are fixed and irreducible by any means other than release of the space. Such items, that are largely provided for by the funds in this activity, include, among others, the payments for rents and utilities. These two items alone for 1953 amount to $41,258,000 of which $33,120,808 is for rents and $8,137,192 is for utilities. The balance of the estimate for Buildings Management, $66,707,000, is for operations, which are detailed later.

I didn't find the "detailed later."

OBLIGATIONS BY OBJECTS

I have two questions here. Of your total of $107 million for "Buildings management" and of your total of $113 million, including your other activities of "Buildings and grounds," what part of it is spent for salaries and what part of it is for other objects? You testify here that $48,258,000 is for rents and utilities. What happens to the other $66 million?

Mr. LARSON. That is in the green sheets, Mr. Chairman.

Mr. REYNOLDS. It is on page 36 of the green sheets.

Mr. THOMAS. I am not going to analyze all of those green sheets, I will tell you that. If you can't put that down in narrative form, I will ask you about that.

(Discussion off the record.)

PERSONAL SERVICES

Mr. REYNOLDS. The total personal services for 1952 amounted to $52,400,075. For 1953 it is $56,181,610. That is for "Buildings management" only.

Mr. THOMAS. What is left for "Other objects"? What does that total out of your $107 million for 1953?

Mr. REYNOLDS. $51,599,673 is for "Other objects," which includes $41,258,000 for rents and utilities. Our total amount is $107,965,000 for "Buildings management."

PUBLIC BUILDINGS SERVICE COSTS

Mr. THOMAS. And your total amount for "Buildings and grounds" for 1953 is $113,000,000, of which $107,000,000 is for "Buildings management." The big item there, of course, is rents and utilities.

Mr. LARSON. Look on page 63: $113,089,000 is the total for Public Buildings Service. The total for "Other objects" is $52,663,538. The total for personal services is $60,425,462. For rents and utilities it is $41,492,000.

PERSONAL SERVICES

Mr. THOMAS. Let us put it another way. What is the personal services cost?

Mr. LARSON. $60,425,462.

Mr. THOMAS. Is that for 1953?

Mr. LARSON. 1953.

RENTS AND UTILITIES

Mr. THOMAS. Plus your forty-one million two hundred fifty-eight for rents and utilities?

Mr. LARSON. Forty-one million four hundred ninety-two thousand.

Mr. THOMAS. Forty-one million four hundred ninety-two thousand. Where does your other money go?

SUPPLIES AND MATERIALS

Mr. REYNOLDS. The big amount goes for supplies and materials, which is six million seven hundred twenty-seven thousand.

OTHER CONTRACTUAL SERVICES

Mr. THOMAS. What is your next big item?

Mr. REYNOLDS. Other contractual services, two million five hundred sixteen thousand.

Mr. THOMAS. What is that for?

Mr. REYNOLDS. That is for repair work, et cetera, done on a contract basis.

EQUIPMENT

Mr. THOMAS. What is your next big item?

Mr. REYNOLDS. The next largest item is $821,425 for equipment.

OTHER OBJECTIVE CLASSIFICATIONS

Mr. THOMAS. What is your next?

What do those "Other objects" add up to now when you deduct personal services of 60 million and rents and utilities of 41 million?

Mr. LARSON. It comes to about 11 million.

Mr. REYNOLDS. Eleven million two hundred thousand.

Mr. THOMAS. Break down the 11 million, roughly—repairs and alterations.

What, about 2 million?

Mr. REYNOLDS. That is two million five hundred sixteen thousand.

Travel is two hundred thirty-six thousand four fifty.

Transportation is two hundred five thousand three hundred.

Communications is three hundred five thousand six hundred seventy-five.

Printing and reproduction is a hundred and eleven thousand three hundred sixty-three.

PUBLIC BUILDINGS APPROPRIATIONS BY ACTIVITIES

Mr. THOMAS. At this point in the record I wonder if you would be kind enough to set up two parallel columns for 1952 and 1953, showing your personal services costs, not only for "Building and management," but for your other activities in "Buildings and grounds"—your rents and utilities items, then your "Other objects"—by categories for 1952 and 1953. In other words, in each column there will be about seven or eight items. Can you do that now without too much trouble?

Mr. LARSON. Yes. Just take it from the green sheet.

Mr. REYNOLDS. Do you want me to read it into the record or furnish it for the record?

Mr. THOMAS. It will save time if you will furnish it for the record. In other words, transfer it from your green sheets.

Mr. REYNOLDS. All right.

(The information requested is as follows:)

Operating expense, public buildings service activities, obligations by object classification

Object classification	Buildings management		National industrial reserve		Real property acquisition and utilization		Surplus property management and disposal		Buildings design and supervision		Public utilities management		Total	
	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953	1952	1953
01 Personal services	$52,400,075	$56,181,610	$1,797,075	$1,755,275	$1,396,248	$1,528,323	$371,195	$367,570	$173,212	$171,874	$101,667	$133,337	$56,239,472	$60,137,989
05 Rents and utilities	33,609,000	41,258,000	230,000	210,000			24,000	24,000					33,863,000	41,492,000
Subtotal	86,009,075	97,439,610	2,027,075	1,965,275	1,396,248	1,528,323	395,195	391,570	173,212	171,874	101,667	133,337	90,102,472	101,629,989
02 Travel	79,275	101,275	45,850	18,850	55,375	66,325	22,800	22,800	3,200	3,200	3,000	6,000	209,500	218,450
03 Transportation of things	173,000	173,000	42,000	30,000	1,000	1,000	500	500	800	800			217,300	205,300
04 Communications	233,925	233,925	17,100	15,600	29,190	34,200	8,000	8,000	3,550	4,350	1,080	1,600	292,845	297,675
06 Printing and reproduction	68,708	68,708	7,450	4,950	7,750	15,250	4,000	4,000	4,900	5,438	11,100	11,100	103,908	109,446
07 Other contractual services	2,019,065	2,132,015	11,873,000	200,000	5,625	7,625	164,000	172,625	1,200	1,200	1,630	1,800	14,064,520	2,515,265
08 Supplies and materials	6,161,800	6,575,750	124,850	119,850	8,320	11,350	15,350	15,350	2,050	2,050	460	800	6,312,830	6,725,150
09 Equipment	812,000	812,000	205,000	5,000	1,000	3,000	1,425	1,425					1,019,425	821,425
10 Lands and structures	150,000	150,000											150,000	150,000
15 Taxes and assessments	74,000	95,000	3,000	3,000			5,000						82,000	98,000
Subtotal other objects	9,771,773	10,341,673	12,318,250	397,250	108,260	138,750	221,075	224,700	15,700	17,038	17,270	21,300	22,452,328	11,140,711
Total program obligations	95,780,848	107,781,283	14,345,325	2,362,525	1,504,508	1,667,073	616,270	616,270	188,912	188,912	118,937	154,637	112,554,800	112,770,700
Service Administration	183,652	183,717	21,475	21,475	80,492	80,927	10,730	10,730	16,088	16,088	5,363	5,363	317,800	318,300
Grand total	95,964,500	107,965,000	14,366,800	[1] 2,384,000	1,585,000	1,748,000	627,000	627,000	205,000	205,000	124,300	160,000	112,872,600	113,089,000

[1] Includes nonrecurring amount of $12,000,000 transferred from strategic and critical materials appropriation for reactivation of industrial plants.

TOTAL APPROPRIATION FOR PUBLIC BUILDINGS SERVICE

Mr. THOMAS. That hundred and thirteen million—what was the total cost now for 1953, using round figures? It was a hundred and thirteen million. What is the total cost for 1952 for public buildings and grounds?

Mr. LARSON. A hundred and twelve million eight hundred twenty-seven thousand six hundred.

Mr. REYNOLDS. Twelve million in there is for the reactivation of plants.

Mr. THOMAS. That is a nonrecurring item.

Mr. REYNOLDS. You have a hundred two million eight hundred seventy-two.

Mr. THOMAS. Against a hundred thirteen million.

Mr. REYNOLDS. That is right.

Mr. THOMAS. Let the record show that there is a nonrecurring item in there of $12 million on industrial reserve.

Mr. THOMAS. Now, all of that is in addition to the emergency program, is that correct?

Mr. REYNOLDS. Correct.

EMERGENCY OPERATING EXPENSES

Mr. THOMAS. And that covers what, Mr. Reynolds—I will read your language into the record:

> For necessary emergency expenses of the General Services Administration not otherwise provided for, for operation, maintenance, protection, repair, alterations, and improvements of public buildings and grounds (including furnishings and equipment) to the extent that such buildings and grounds—

that is covered, is it not?

Mr. REYNOLDS. That is for emergency operating expenses.

Mr. THOMAS. What do you have for 1952?

Mr. REYNOLDS. $35,700,000; 1953, $27,845,000.

Mr. THOMAS. No, I have got here for 1952, $31,500,000 plus another amount of $9,250,000 or making a total of about $40,500,000. The $9,000,000 is for your D. P. A. item which you have not set up in this budget but you are sending up if, as, and when the Defense Production Act is continued for 1953.

Mr. LARSON. Mr. Chairman, the comparable item for 1953 is $27 million, compared to the $31 million in 1952.

EMPLOYMENT

Mr. THOMAS. How many employees do you have to take care of for this additional space for 1951, 1952, and 1953? I have for 1951 that you were taking care of 75,420 additional employees; for 1952, the figure is 122,114 and for 1953, it is practically the same figure, is that correct?

Mr. REYNOLDS. Yes, sir.

Mr. THOMAS. And the vast majority of it comes from the armed services?

Mr. REYNOLDS. Yes, sir.

Mr. THOMAS. I am just trying to summarize it as I go along.

Mr. REYNOLDS. That is right.

Mr. THOMAS. That is substantially correct?
Mr. REYNOLDS. That is right.

RECONCILIATION OF 1953 ESTIMATE WITH 1952 PROGRAM

Mr. THOMAS. Now, what additional program will you have for 1953 that you did not have in 1952 for acquiring new and other space; and do you not have changes in the program in connection with the Department of Defense and related agencies which account for the net reduction of $7,855,000 for the 1953 estimate below the 1952 estimate as set forth "in the following tables"? Does that mean you have given up on space here?

Mr. LARSON. What page are you on, Mr. Chairman?

Mr. THOMAS. I am on page 4 now. You list that as a reduction and then you turn around and list some additions and you set out an increase in civil defense protection of $500,000—well, I presume that is in dollars; extra services, $93,800.

However, how do you arrive at those figures?

Mr. REYNOLDS. First of all, we deduct from 1952 the items that are nonrecurring, as you will notice on page 4. The space was under rental for only a portion of 1952. We have to have an increase in 1953 to provide for a full year's operation of that space.

Mr. THOMAS. Mr. Reporter, I think it will be well to summarize the 1952 and 1951 programs for "Emergency operating expenses" set out in paragraphs 3 and 4 on page 2, and set out the table at the bottom of page 3, which gives the best estimate possible under the circumstances.

(The material referred to is as follows:)

The first "Emergency operating expenses" appropriation was included in the Supplemental Appropriation Act 1951 for $15,000,000 to finance the provision of additional space and related operations to accommodate expansion of the Department of Defense and related defense agencies from zero to 75,420 employees during the last 8 months of 1951. For the same period, provision was made for financing quarters for newly established agencies under the Defense Production Act of 1950, and for very minor functions of GSA under that act, through allocations totaling $6,340,000 made by the President from the appropriation "Expenses of defense production, Executive Office of the President."

For 1952, both the defense and the defense production phases of the emergency program are combined under the "Emergency operating expenses" item. However, two separate appropriations were made under that heading in the Supplemental Appropriation Act, 1952, one of $31,500,000 for defense agencies and the other of $9,250,000 for defense production agencies and functions. If employment expansions during 1952 contemplated by the Bureau of the Budget for all defense and defense production agencies are actually realized, these appropriations may be inadequate. At this time it is estimated that a supplemental appropriation of $4,200,000 for defense agency space and $2,200,000 for defense production agency space will be necessary, although the exact amounts will depend upon lags in recruitment and other factors which will be more apparent at the time the supplemental estimates are prepared.

SUMMARY AND COMPARISON OF 1952 AND 1953

In order to compare the limited estimate for 1953 with the corresponding portions of the program for 1952, the following table sets forth the cost only for those activities which provide for the Department of Defense and defense related agencies:

Comparison of limited estimate of 1953 with corresponding activities for 1952

	1952	1953
1. Buildings management	$34,853,275	$27,359,000
2. Space acquisition and utilization	125,000	125,000
3. Expediting construction	None	None
4. Claimant agency functions	(1)	(1)
5. Federal Register functions	(1)	(1)
6. Microfilming	364,000	None
7. Staff operations	357,725	361,000
8. Defense production coordination	(1)	None
Total	[2] 35,700,000	27,845,000

[1] DPA.
[2] Includes 1952 supplemental estimate proposed for later transmission of $4,200,000.

EMERGENCY MICROFILMING

Mr. THOMAS. Now, I do not understand why the microfilming item of $364,000 is in here. It looks to me as though it ought to go over to where it belongs, in another part of the budget, namely, the Archives set-up, are they not doing it?

Mr. LARSON. Well, it is performed by Archives, Mr. Chairman. This is an agency-wide supplemental for emergency operations, if you will remember.

Mr. THOMAS. Well, why is it here under "emergency"?

Mr. LARSON. Because it was an agency-wide appropriation item to General Services. I do not think you will find "Emergency operating expenses" set forth exclusively as Public Buildings service operation exclusively. It is set forth as a GSA operation.

Mr. THOMAS. Yes; but about 99 percent is for Public Buildings and Grounds?

Mr. LARSON. Right.

DEFENSE PRODUCTION PORTION OF EMERGENCY OPERATING EXPENSES

Mr. THOMAS. Then, what part is not part of it, other than the $364,000 for microfilming?

Mr. MEDLEY. On page 3, Mr. Chairman, the first two items are for Public Buildings activities. The balance is for other services of GSA.

Mr. THOMAS. What, for instance?

Mr. MEDLEY. Well, the claimant agency function, which was under the DPA, is under the Federal Supply Service; and the Federal Register functions, as well as the microfilming, are under the National Archives and Records Service.

Mr. LARSON. Yes; but that does not recur in 1953.

Mr. THOMAS. Whereabouts do you set them up under DPA activities in this budget?

Mr. LARSON. They are not set up in here.

Mr. THOMAS. You mean for 1953?

Mr. LARSON. They will be a part of the supplemental that is coming up, later.

Mr. THOMAS. I understand, but whereabouts are they set out for 1952?

Mr. LARSON. They are set out here for 1952. They will also be set out for 1952 when the 1953 supplemental comes up.

Mr. THOMAS. What has the supplemental for 1953 got to do with what you are doing in 1952?

Mr. LARSON. If you want it, we can get that for you and——

Mr. THOMAS. Your DPA activities for 1952 may be in this budget, but frankly I did not find it.

How many dollars are chargeable to that and what are the functions of the people, and so forth, how many jobs, and where is the money to finance it?

Mr. LARSON. I will have to get the information, as far as jobs are concerned.

(The information requested is as follows:)

Amounts and employment in DPA portion of "Emergency operating expenses," 1952

	Average employment	Amount
Buildings management	(1)	$8,674,515
Space acquisition and utilization	7.4	37,800
Claimant agency functions	18.6	123,000
Federal Register functions	13.7	124,185
Staff operations	30.5	125,500
Defense production coordination	19.3	165,000
Total	89.5	9,250,000

[1] Any required employment is provided under "Operating expenses" on a reimbursable basis.

Mr. LARSON. For the activities, there are approximately 90 people, and the activities included are principally those of acting as the claimant agency——

Mr. THOMAS. For these more than 90 jobs?

Mr. LARSON. For DPA activities of claimant agency and other functions. Now, on the DPA, in the revolving end, there are about 450 people and that is principally for the rubber-buying activity of the DPA.

Mr. THOMAS. All right. Now, summarize it, the number of jobs, what they do and where the money came from in that supplemental—that was from another committee, it was not supplied by this committee; is that correct?

Mr. LARSON. That is correct.

Mr. THOMAS. Get me the number of jobs.

Mr. LARSON. I will have to get that for you, to be accurate.

Mr. THOMAS. You have it.

Mr. LARSON. No; I do not have it. I am only estimating.

Mr. THOMAS. Well, now, what do those people do?

Mr. LARSON. Well, they are engaged in the——

Mr. THOMAS. You have got 60 of them in claimant agencies.

Mr. LARSON. No; not all of those 60 people. As a matter of fact, there are only about 18 in the claimant agency.

GSA OPERATIONS UNDER DEFENSE PRODUCTION ACT

GSA for 1952 is charged with the responsibility for doing all the purchasing under the Defense Production Act for resale. That included—well, the biggest program was the exclusive program on rubber which included about three-hundred-odd people.

The next program is the tungsten-buying program which is the DPA activity which involves the purchasing of tungsten not offered to the industry over a certain price.

The third activity is the manganese program.

Mr. THOMAS. How does that fit into the stockpiling of critical materials?

Mr. LARSON. It is supervised by the same administrative staff, which is another argument in favor of and a reason for GSA's integrated organization. It is only the people required for operations that are added for new or expanded programs. But it is financed out of DPA funds.

Mr. THOMAS. Well, they are doing that same thing, buying tungsten and the other activities, and the only new activity, the only new function that you have got there was the rubber purchasing?

Mr. LARSON. Well, we were buying rubber, too, but it is greatly expanded. We did not buy tungsten in the manner or to the extent required under the program under the Defense Production Act of manganese, that is, the establishment of buying stations at sources of production.

Mr. THOMAS. Well, your activities under the Defense Production Act in this regard—what are they? Would somebody read it into the record at this point?

Mr. LARSON. I would like to get it and supply it for the record.

Mr. THOMAS. Somebody is bound to have it here.

Mr. LARSON. I can give you most of them. In fact, I have recounted most of them already.

The GSA as such is called upon under the Defense Production Act and the Executive orders issued thereunder——

Mr. THOMAS. Well, as far as the GSA, it comes into play by virtue of the Executive order and the Executive order is based upon the Defense Production Act; but the Defense Production Act does not specifically impose any duties on you as an agency.

Mr. LARSON. Only those that are delegated by authority of the Defense Production Act in an Executive order.

Mr. THOMAS. That is right. Now, if you will read that into the record at this point.

Mr. LARSON. First, GSA is required to act as a claimant agency on critical materials for all civilian agencies of the Government.

Secondly, it is required to perform the operations, all of the operations, in connection with the purchase of critical materials for resale.

Mr. THOMAS. That differs from stockpiling of cirtical materials how?

Mr. LARSON. Because stockpiling is not for resale or redistribution.

Mr. THOMAS. Go ahead.

Mr. LARSON. Third, it is required to perform the function or perform the operation of expansion of plants, of Government-owned or privately owned plants as directed by the Defense Production Administration.

Fourth, it is required——

Mr. THOMAS. Do you know how much amortization is involved, right off?

Mr. LARSON. No. This is where the Government goes in and expands.

Mr. THOMAS. Its own plants?

Mr. LARSON. Its own plants, or a privately owned plant, either or both.

Fourth, it is required to perform the procurement functions as directed by the Defense Production Administration in special programs, such as the machine tool pool order program.

Mr. THOMAS. That comes under Industrial Reserve activities and we are going into details on that in a few minutes.

Mr. LARSON. That is being performed under the supervision of——

Mr. THOMAS. Whereabouts in the GSA is this supervision of plans for expansion of Government-owned facilities and for privately owned facilities, where the Government seeks to expand with Government funds?

Mr. LARSON. The extent to which that is being performed at the present time is being administered by the National Industrial Reserve Division of Public Buildings Service. There are no projects——

Mr. THOMAS. How many plants are expanded, Government-owned plants, and how many plants privately owned, where the Government pays for the expansion?

Mr. LARSON. There are none in the latter category. In the first category, there are seven installations including six magnesium plants and one nickel plant.

Mr. THOMAS. That is, it makes a total of seven.

Mr. LARSON. That is right.

DPA REVOLVING FUND EMPLOYEES

Mr. THOMAS. And you have 450 or 460 employees covering those activities and they are appropriated for out of the deficiency committee that is handling the national defense and interrelated funds based upon other activities. Is that correct?

Mr. LARSON. Approximately 450 employees, I would say.

Mr. THOMAS. 450?

Mr. LARSON. Yes. That is an approximation.

INCREASE IN EMERGENCY OPERATING EXPENSES

Mr. THOMAS. I find here in this table on page 4 that there is a cushion of $7 million. What is that cushion for?

Mr. LARSON. On page 4, volume 2?

Mr. THOMAS. Yes, volume 2, under "Emergency operating expenses."

Your 1952 program calls for $20,737,000 and you state that for 1953 the program will be about the same as for your 1952 program. Yet, you have set up for 1953 $27,845,000. So, I want to know why you have that cushion of $7,108,000? Why is that inserted there?

Mr. LARSON. I do not see how that can be called a cushion, Mr. Chairman. That is, as indicated there, for annualizing the previous program. The $20,737,000 covered space for only part of 1952 because the program did not get into full swing until after the beginning of the 1952 fiscal year and all of the people were not employed for the entire year; therefore, all of the space was not required for the complete 1952 fiscal year. The people are to be employed by June 30, 1952, and the

space is required for a full year's operation in 1953 plus the increase of $500,000 for civil defense warning devices in public buildings.

Mr. PHILLIPS. That is an estimate.

Mr. THOMAS. That is problematical.

Mr. LARSON. The estimate is based on employment figures furnished by the Bureau of the Budget.

Mr. PHILLIPS. Is that local or national?

Mr. LARSON. National.

Mr. THOMAS. That is purely a guess and as of today you cannot tell us, you cannot put your finger on any expansion to absorb it.

Mr. LARSON. I am sorry, I did not understand your question.

Mr. THOMAS. As of today, as the matter stands, you have got a cushion there of $7 million and over and you cannot put your finger on any defense expansion there to absorb it, can you?

Mr. REYNOLDS. Well, it is not for expansion during 1953, Mr. Chairman. A good deal of the space that was paid for under the appropriation for 1952 is for expansion of defense agencies during the present fiscal year. It was for partial-year occupancy, not for the full year. This estimate is based on providing the same space for a full year of operation in 1953.

Mr. THOMAS. Well, you count that in four items; $100,200, $6,414,000, and then when you get through, and after annualizing it, you still have got a cushion of $7,108,000.

Mr. REYNOLDS. Mr. Chairman, that is not a cushion. It is the total of the items which you recited.

Mr. THOMAS. That is right, but you say it is the same in 1952 as in 1953, but they do not exceed $20 million, do they?

Mr. REYNOLDS. We have not said that. The space load in 1952 is the same as 1953, because the load came on progressively during 1952. We had a great increase during 1952, and it will have to be annualized in 1953.

Mr. THOMAS. Well, you state that no less than a dozen times in your 1953 justification, that it will be practically the same in 1953 as in 1952.

Mr. REYNOLDS. Yes; as of June 30, 1952.

Mr. THOMAS. I will read you your own language:

> Performance proposed for 1953 is the annualization of such services as of June 30, 1952, by which time it is estimated that housing for 122,114 employees will be provided. No expansion of employment during 1953 is contemplated in this estimate.

Mr. REYNOLDS. That is right. No expansion after June 30, 1952.

Mr. THOMAS. Well, of course, the fiscal year 1953 does not start until July 1, 1952.

Mr. REYNOLDS. That is correct.

UNIT COSTS FOR SPACE

Mr. THOMAS. Now, I am interested in some of your statements here on your rent.

In your Government-owned space, for maintenance and operation for 1951 it was $1.013 a square foott. For your DPA agencies here it is $1.076.

Now, that is expanded for your Government-owned buildings to $1.19 in 1953.

Now, the rental space for defense agencies in 1951 was $2.12 and for DPA agencies it was $2.857, and in 1952 you have jumped that to $2.16 for the national defense and $2.61 for DPA.

I thought that your rental space all over the country was about $1.50 or $1.75 or $2 per square foot.

Mr. REYNOLDS. Do you want me to make a general statement on this, sir, to clarify it?

Mr. THOMAS. You can say anything in the world you want to.

Mr. REYNOLDS. I would like to make a statement, to get it in proper perspective.

Mr. THOMAS. According to the figures, it means that you are going to pay $3 in some localities and $1.50 in others.

Mr. REYNOLDS. That is correct; but the first——

Mr. THOMAS. And you have the discretion to do the paying, and it does not make any difference whether it is a 25-year-old warehouse building that is stuck off in ward No. 19—well, go ahead.

OVER-ALL UNIT COST FOR REGULAR SPACE

Mr. REYNOLDS. I would like to refer first to page 29.

There you will find that the cost per square foot in 1951 was $0.866; $0.984 in 1952 and $1.037 in 1953. That indicates a continuing increase in cost.

The reason that $1.037 is in there for 1953 as compared to 1952 is the impact that has been placed upon us because of the taking over of some $9 million of rented space, which brings the average up. In other words, those figures at the top of page 29 are the average of everything.

Mr. THOMAS. You mean your figures do not mean anything? I am reading from your consolidated table here on page 6, showing the cost of operating the Government building.

Mr. REYNOLDS. I am talking about page 29 of part I.

Mr. THOMAS. And also the cost for operating space when hired or leased for defense agencies and for operating for DPA, and all of that is in addition to alterations, conversions, and moving. When you add a rent to that figure of $2.85 a square foot, I imagine you are paying in the neighborhood of $3 or $3.50 a year for space, are you not?

Mr. REYNOLDS. We are in some cases, but that is talking purely about a unit of cost. Where you take all of the space that is available and average it out on a square-foot basis, it does not give a uniform year-to-year comparison.

Mr. LARSON. Because of the work we are going to take over.

Mr. PHILLIPS. What are you going to do, break them down into three items of rent?

Mr. LARSON. That would be the most logical thing to do.

Mr. REYNOLDS. Attention is directed to the unit cost per square foot shown on page 99 of part I of the justification. It will be noted here that the cost for 1951 was $0.866 per square foot; 1952, $0.984; and 1953, $1.037. This calculation is misleading, as it includes not only Government-owned space but leased space as well. The reason that there is an increase in 1952 over 1951 and 1953 over 1952 was because of the large increment of more costly rental property without a corresponding increase in less costly Government-owned space.

A clear comparison of cost is shown in the tabulation on page 31 under item 1, "Operation and maintenance of Government-owned space (gross area)." It will be noted here that the unit cost per square foot is $0.59 in 1951; $0.591 in 1952; and $0.613 proposed for 1953. The price levels for 1952 and 1953 are comparable. The increase is to provide for better cleaning services in 1953. The figures for 1952 and 1953 as compared to 1951 are again misleading, because those for 1952 and 1953 include the pay increases. A comparable calculation for 1951, if the pay increases were applied, would be $0.648.

At the present time we are giving substandard service, resulting in numerous complaints from the departments and agencies we serve. Generally we have reduced cleaning in office areas to 3 days a week. We have reduced window washing to every 4 months and in some locations less frequent than that.

Renovation and Improvement

Mr. Thomas. Mr. Reporter, at this point in the record will you insert the general statement on page 27, "Renovation and improvement of federally owned buildings outside the District of Columbia."

(The table referred to is as follows:)

Renovation and Improvement of Federally Owned Buildings Outside the District of Columbia

GENERAL STATEMENT

Federally owned buildings outside the District of Columbia are renovated and improved under a program for which appropriations of $30,000,000 are authorized. The authorization limits projects to those costing $25,000 or more, including such items as expansion of mail-handling facilities, renovation and modernization of Public Health Service hospital facilities, improvement of lighting systems and replacement of elevators, boilers, and heating equipment.

Only the most urgent major-repair items, together with some renovation and modernization projects of high priority have been scheduled under the 1950, 1951, and 1952 appropriations which totaled $24,500,000. The program for 1953 contemplates the obligation of the remaining authorization of $5,500,000 for either defense-related projects or projects required to meet critical civilian needs.

Mr. Thomas. You had $4,500,000 last year and you want it increased to $5,500,000 this year, as a part of an authorization passed several years ago of $30 million, is that correct?

Mr. Reynolds. That is correct.

WORKLOAD AND WORKLOAD ACCOMPLISHMENTS

Mr. Thomas. It might be well to insert the table showing the workload on page 29, showing that perhaps you will have some 281 projects here covered through 1953. Is that correct?

Mr. Reynolds. That is correct, sir.

(The table referred to is as follows:)

Summary of the workload and workload accomplishments

	Number of projects	Cost
Work on hand July 1, 1949	286	$25,510,570
Work generated, 1950	129	12,444,800
Work generated, 1951	63	6,639,111
Total workload, 1950 and 1951	478	44,594,481
Work accomplished:		
1950	100	9,026,275
1951	85	10,582,632
Total workload accomplished	185	19,608,907
Work estimated to be accomplished:		
1952	46	4,891,093
1953	50	5,500,000
Total workload accomplished (estimated)	281	30,000,000

Mr. THOMAS. What is the value of the Government-owned buildings in this program?

Mr. REYNOLDS. These are Government-owned buildings. There are about 5,400 buildings with over 100 million gross square feet valued at $1 billion. That is construction cost and not replacement value, which would be far greater than the total given here.

REPAIR, PRESERVATION, AND EQUIPMENT

Mr. THOMAS. Now, let us take a look at the other program on page 34, that is the $10 million program. That covers major alterations to buildings in excess of $25,000, is that correct?

Mr. REYNOLDS. No; that is under $25,000.

Mr. THOMAS. Under $25,000, or over?

Mr. REYNOLDS. Under.

Mr. THOMAS. And your $5 million is over?

Mr. REYNOLDS. That is right.

Mr. THOMAS. And the big one here—you gave the wrong figure when you said 5,441 under your $5 million program.

Mr. REYNOLDS. It is exactly the same group of buildings except that we administratively determine that R. & P. should be limited generally to projects costing less than $25,000 so as to get the maximum coverage.

Mr. THOMAS. In other words, the Government has 5,441 buildings outside of the District of Columbia purchased at a cost of approximately $1 billion and they have got 102,500,000 square feet of floor space, is that correct?

Mr. REYNOLDS. That is right.

REFUNDS UNDER RENEGOTIATION ACT

Mr. THOMAS. While we are here on "Public buildings and grounds," you have taken over this Renegotiation Act, have you not, and you want $9,300,000 for 1953.

Mr. Reporter, at this point please insert in the record the third paragraph on page 44—or, I will read it:

Under provisions of the Renegotiation Act of 1951, the final date for filing claims for rebates was October 31, 1951. As of that date, 3,914 claims had been filed in gross amount of $203,106,986, which, it is estimated, would result in total rebates of over $41 million. In addition, it is anticipated that orders of the United States Tax Court will require refund payments totaling some $3 million.

So, you think you will need, to wind up the entire program, about $44 million and as of 1953 you want $9,300,000 to help pay off those rebates.

In 1952 you had $8,500,000, what you paid out for 1952—what is your administrative cost for 1953, out of that, are you paying any administrative cost out of that?

Mr. MEDLEY. No, sir.

Mr. THOMAS. What is your administrative cost for this renegotiation and how many employees do you have?

Mr. LARSON. That is all absorbed under "Operating expenses."

Mr. THOMAS. What do you mean "absorbed"?

Mr. LARSON. It is handled in the normal overhead under "Operating expenses."

Mr. THOMAS. Yes; but you have got to pay those employees. So, how many employees, and what is it going to cost?

Mr. MEDLEY. For 1951 it was $121,000; in 1952, $112,783; in 1953, $81,212.

Mr. THOMAS. How many employees?

Mr. MEDLEY. About 15 employees now, Mr. Chairman, with a drop to 10 employees in 1953.

Mr. THOMAS. Is there a move on foot to transfer this to the Renegotiation Board set up by law last year?

Mr. LARSON. There was at the time the act was passed. As I said in my opening remarks, the Congress did not see fit to transfer it. As far as I am concerned I think it should be transferred.

Mr. THOMAS. Is the law broad enough to transfer it over there without specific congressional authority?

Mr. LARSON. I do not think so because of the legislative history of the Congress having turned the proposal down.

ARCHIVAL DRAWINGS, EXECUTIVE MANSION

Mr. THOMAS. $40,000 on page 48 has some new language:

Archival drawings, Executive Mansion: For expenses necessary for preparation of a permanent set of drawings of the Executive Mansion, to be placed in the Archives of the United States of America, $40,000, to remain available until expended.

Mr. PHILLIPS. Mr. Chairman, could I ask a question?

Mr. THOMAS. Yes.

Mr. PHILLIPS. How did they repair the White House without any drawings?

Mr. REYNOLDS. Mr. Phillips, we had no drawings. That was the great trouble.

Mr. THOMAS. How much administrative expenses is there in this $40,000; is it all salaries and expenses?

Mr. REYNOLDS. Mr. Chairman, what we found when we tackled this White House problem, was that there were not any drawings of any-

thing that were of value to us. We discovered what was happening as we began digging into it further and further. We had to take down walls and so forth, to try to find out the real condition and——

PROSPECTIVE WORKLOAD

Mr. THOMAS. I will interrupt you. The reporter will insert the table on page 132, showing 773 man-days.

(The table referred to is as follows:)

The prospective workload for the preparation of the archival drawings and the estimated man-day requirements for professional employees required to perform the work are as follows:

	Man-days
12 complicated drawings requiring retracing and corrections	120
40 drawings of details requiring extensive revisions	163
12 drawings requiring minor corrections	10
92 drawings now in pencil upon linen or paper requiring tracing and minor revisions	475
63 small drawings and portions of details to be added to existing drawings or made into new sheets	5
Total 219 drawings	[1] 773

[1] 3 man-years.

ARCHIVAL DRAWINGS

Mr. THOMAS. We were discussing this the other day and we were just wondering if this building was so well done or substantially done that the building will speak for itself for the next 100 or 150 years; will it?

Mr. REYNOLDS. Well, it is a question of operations. You recognize, in the building business, that you do not generally build a building exactly the way it is drawn. You find you have to relocate pipes, fixtures, and that sort of thing.

So, over the years it has been the practice of the industry, especially big corporations, and so forth, to complete what they call record drawings, to show precisely where every piece of pipe is. Most of the pipes are covered up. If drawings are available and any difficulty happens, they can determine exactly where to cut into the wall and fix it.

What we have now is a bunch of blueprints marked up in crayon to show where the pipes go. As they put in a piece of pipe, they can locate it exactly from the drawing. That is important because a variation of just a few inches makes it very difficult in locating anything troublesome.

The purpose of this project is to transfer data from the marked up blueprints to linen to provide complete and accurate drawings of all the mechanical and electrical work and all those things that are hidden from the eye.

Mr. PHILLIPS. That is going to be done from the blueprints you are using now to repair the house, and it does not make a particle of difference whether this fine linen job is done now or a year from now or 2 years or 5 years from now.

Mr. REYNOLDS. We are working mostly on job drawings and, of course, the job drawings are much more voluminous than the proposed linen drawings. The shop drawings are what the contractor works from, and usually they are made by the contractor and ap-

proved. After the changes take place, notations are made on the shop drawings to show the exact location of the installation. However, the many shop drawings comprise a massive pile of material which should be put on permanent cloth and reduced in such a manner that you do not have all of this volume of material to work with.

Repairs, Preservation, and Equipment

Mr. Thomas. Mr. Reporter, at this point, will you insert page 38? (P. 38 is as follows:)

Repair, Preservation, and Equipment

Other contractual services, $6,293,500.—This amount represents the total estimated cost of work to be accomplished by private contractors in the prosecution of approximately 1,970 repair contracts during fiscal 1953.

Supplies and materials, $1,000,000.—Except for a nominal sum for administrative and engineering supplies, the entire amount budgeted for supplies and materials covers project items utilized in buildings repairs that are accomplished by force-account employees.

Equipment, $700,000.—Lump-sum contracts are entered into for certain general-use equipment, such as lighting fixtures, cash and stamp drawers, and post-office lockboxes. These items are consigned direct to the various projects, as required, for installation by the contractors. This established practice has proven to be more economical than to provide for the items in the individual contracts and accounts for the entire amount shown under "09 Equipment."

Other, $37,000.—This amount covers miscellaneous expenses, including the transportation of project supplies and materials, and administrative and project communications.

Public Buildings Service

NATIONAL INDUSTRIAL RESERVE

Mr. Thomas. Now, dealing with the National Industrial Reserve, you had an appropriation last year of $12,000,000, which was a nonrecurring item this year; is that correct?

Mr. Reynolds. Correct, an appropriation transfer.

Mr. Thomas. This year you want $2,384,000 for salaries alone and you want 482 jobs in 1953 as against 500 in 1952.

It looks to me as though your workload is falling off in greater proportion than your dollars and cents. I quote your language:

> A portion of the program for a reserve of Government-owned industrial plants, machine tools and industrial equipment is carried on in cooperation with other agencies. Maintenance will be necessary on 21 of 44 industrial plants—

that is how many you have?

Mr. Williams. Yes, sir, except that the $2,384,000 is the total amount for 1953, of which $1,755,275 is for salaries.

Mr. Thomas (reading):

> * * * carried in this reserve during 1952 and on 20 of 41 carried in 1953.

Does that mean you are going to sell in 1953?

Mr. Williams. Either sell or transfer.

MACHINE-TOOL RESERVE

Mr. Thomas (reading):

> The average tonnage of machine tools and industrial equipment is estimated at 7,029 in 1952 and 5,876 in 1953.

Why have you not got rid of more of these machine tools than you have? Why is there such a small amount disposed of?

Mr. WILLIAMS. The machine tools are pushed by the Munitions Board, as they are required to feed into the defense program. Therefore, it is not a matter of disposal——

Mr. THOMAS. Well, we see in the newspapers, and Mr. Charles Wilson is talking about it as one of the biggest bottlenecks in the production of airplanes and tanks; namely, machine tools. I wonder why more have not been used.

Mr. WILLIAMS. Most of the standard tools have already been put into production lines. Most of those remaining are the highly specialized tools for certain production.

Mr. THOMAS. Well, I am just wondering whether these are not obsolete tools. If industry is crying for tools and these have not been disposed of a long time ago as they should have been if they are usable, then the qeustion I am getting at is what part of this tonnage is old and obsolete?

Mr. WILLIAMS. The Munitions Board has sent a man to our Burlington warehouse who will make a complete survey and will report back to the Munitions Board.

Mr. THOMAS. Well, the Industrial Reserve was set up 5 years ago, and we have been paying rent and storage and maintenance and operating costs for 5 years. Why has not the Munitions Board found out a long time ago how many tools you have and how usable they are, and so forth?

Mr. WILLIAMS. Since the inception of the program, we have pressed for determinations of obsolescence. However, the GSA and the Public Buildings Service have no jurisdiction to make a determination that some of them are or are not obsolete.

Mr. THOMAS. We understand that.

Mr. WILLIAMS. The Munitions Board, acting for the various military services, determines what is required. All that we can do and what we have been doing is to request that Board to review the reserve to determine the obsolescence factor.

OBSOLETE TOOLS

Mr. PHILLIPS. To what extent have you tried to move these tools in process of obsolescence into small shops that might be glad to pick them up?

Mr. WILLIAMS. The tools we have in the inventory are contained in what we call the central inventory which constitutes all of the reserve tools and is maintained by the Munitions Board. As you know, we are precluded from actually selling them. We are trying to push the tools into defense utilization.

Mr. PHILLIPS. What do you mean you are precluded from selling them?

Mr. WILLIAMS. Because they are part of the reserve and therefore we can only sell as directed by the Munitions Board. They have not directed nor have they permitted us to sell tools.

Mr. THOMAS. So, if you are hoarding tools either with a certain usability or tools which are obsolescent and if you are paying these expenses, then it is the fault of the Munitions Board and is not yours, because after all you are only a custodial agency.

Mr. WILLIAMS. That is right.

AMOUNT FOR PERSONAL SERVICES

Mr. THOMAS. All right. How much of this $2,384,000 is for salaries and how much is for care of these tools?

Mr. WILLIAMS. For salaries we have a total of $1,755,275. That is mostly for custodial and maintenance employees. The rents are $210,000; and other contractual services are $200,000. Those are the three major items.

CONTRACTUAL SERVICES

Mr. THOMAS. What are the other contractual services?

Mr. WILLIAMS. There are three major ones, $70,000, $40,000 and one of $20,000 for contract work at three plants.

Mr. PHILLIPS. That does not add up to $200,000.

Mr. WILLIAMS. No, sir. As I say, these are the major items. There are other items that you do by contract rather than by your own employees.

DISPOSAL OF PLANTS

Mr. THOMAS. During 1952 how many buildings did you dispose of?

Mr. LARSON. The buildings covered by this program include only industrial plants placed in the National Industrial Reserve. General purpose buildings are covered in another item.

Mr. THOMAS. How many were taken from the industrial pool?

Mr. WILLIAMS. A total of three plants were taken from the industrial reserve by the Military Services during 1952 fiscal year, so far.

Mr. THOMAS. Well, as the Munitions Board declares, or gives you permission to sell one of these plants or any quantity of tools, then you are the disposal agency, are you not?

Mr. WILLIAMS. Yes, sir, but since the Korean situation, it is not so much of a sales or disposal factor as it is a transfer of specified plants back into the Military Department for actual reactivation. In only three cases have we leased plants for utilization. One was a forging plant at Erie, one was an extrusion plant in Baltimore and the third was a manganese carbide mine and treating plant in Butte, Mont.

Mr. THOMAS. How many plants do you plan to reactivate in 1952, is it two or three?

Mr. WILLIAMS. It is contemplated, Mr. Chairman, that two plants will be taken back by the militady for reactivation by them.

Mr. THOMAS. Who pays the cost for reactivation?

Mr. WILLIAMS. If they are transferred back to the military services, they bear the full cost. In the case of plants leased, the reactivation cost is paid for by the lessee.

PROGRAM SUPERVISION

Mr. THOMAS. Why do you need 20 people in the District of Columbia to take care of these machine tools and some 44 buildings?

Mr. WILLIAMS. That is down to 16 in 1953, Mr. Chairman.

Mr. THOMAS. Well, what do they do?

Mr. WILLIAMS. They have a great deal of administrative duties in connection with the plants that have been leased. In other words,

you cannot reduce administrative costs in direct proportion to your stand-by inventory.

Mr. THOMAS. Are you keeping books or collecting payments from plants sold out of that industrial reserve?

Mr. WILLIAMS. No, we are not keeping accounts. That is under the Comptroller, but there are administrative problems that come up daily such as insurance problems and things like that.

Mr. THOMAS. How many people are there in the Comptroller's office assigned to this work of keeping books?

Mr. MEDLEY. That is a part of the normal activities, Mr. Chairman, of the Accounting Division in the region where the facilities are located.

Mr. THOMAS. Well, how many of them are collecting money and so forth?

Mr. MEDLEY. In isolating the workload with respect to national industrial reserve, I am sorry I could not give you a figure on that at this moment, Mr. Chairman. The collection officer who handles the collections—there are all types of collections, such as collections on disposal of surplus property, collections on national industrial reserve properties, and collections on sales from our Federal supplies stores and so forth. So, it would be very difficult to give you a precise estimate as to what part of the cost pertains solely to N. I. R. collections.

Mr. THOMAS. In other words, this $3 million that you have set up for 1953 does not reflect your over-all cost, does it?

Mr. WILLIAMS. It does not include accounting costs, no, sir.

Mr. LARSON. As I said in the beginning, Mr. Chairman, we would like to have these programs set up and presented to you so they would reflect those costs.

Mr. THOMAS. Well, we are not preventing you.

Mr. PHILLIPS. You could start by numbering the pages differently in the two books.

REAL PROPERTY ACQUISITION AND UTILIZATION

Mr. THOMAS. Well, let us look at the "Real property acquisition and utilization."

At this point we will insert page 43 in the record.

(Page 43 is as follows:)

Real property acquisition and utilization

	Amount	Average employment		
		Department	Field	Total
1952	$1,585,000	47	223	270
Change	+163,000	+6	+24	+30
1953	1,748,000	53	247	300

HIGHLIGHT STATEMENT

General purpose space is assigned for use by Government agencies, its use controlled, and space is acquired by lease for use by Government agencies where necessary. Sites acquired for Federal buildings are utilized or out-leased until

needed for construction purposes, real property is appraised, and practices of Federal agencies are studied for the purpose of improving their real property management.

Summary cost of activity by work components

	1951	1952	1953
Programs:			
(a) Space acquisition and utilization:			
1. Assignments	$376,357	$464,519	$486,335
2. Utilization	232,392	500,865	589,440
3. Leasing	328,154	408,349	439,873
Total	936,903	1,373,773	1,515,648
(b) Site Management	58,442	60,275	60,275
(c) Appraisals	63,143	50,500	41,650
(d) External Real Property Surveys		20,000	49,500
Share of Service Administration	54,050	80,492	80,927
Total cost	1,112,538	1,585,000	1,748,000

The real property acquisition and utilization activity deals with several functions, few of which are expressible in the same work unit. It is divided into the four major programs indicated above for the purpose of justifying the performance.

Mr. THOMAS. You had employment of 270 in 1952 and you want 300 in 1953. What is your total cost for this activity?

Mr. REYNOLDS. 1,585,000 in 1952 and it is——

Mr. THOMAS. I know, $1,748,000 in 1953, but what is your total cost, broken down into space acquisition and utilization and assignment, utilization and leasing; what is your total cost?

Mr. REYNOLDS. The total cost is $1,748,000.

Mr. THOMAS. You do not have any other costs scattered throughout the activities of the agency here? Have you got any of them charged against the field?

Mr. REYNOLDS. Oh, yes. Most of the work is in the field.

Mr. THOMAS. You have 223 people in the field for 1952 and you want 247 in the field for 1953.

Mr. REYNOLDS. The areas to be physically surveyed will increase in 1953 by approximately 25 percent over 1952. However, the total performance cost will increase only 17 percent. The unit cost for each 1,000 square feet of space analyzed and surveyed for those periods will thereby be reduced from $6.20 to $5.90.

The increase coverage will enable us to more efficiently use space now under Federal control and thus avoid unnecessary and costly leasing of new space, as well as the conditioning and servicing of space.

This operation requires a greater coverage of buildings than we now have and a detailed physical survey of buildings themselves at closer intervals than we have been able to do heretofore.

Mr. THOMAS. You have got some surplus property here.
At this point we will insert the table on page 50, Mr. Reporter.
(The table referred to is as follows:)

Surplus property management and disposal

	Amount	Average employment		
		Departmental	Field	Total
1952	$627,000	14	48	62
Change	0			
1953	627,000	14	48	62

HIGHLIGHT STATEMENT

Real property found to be surplus to the needs of the Government is disposed of, pending which it is protected and maintained. During 1953 real property with a declared value of $634.3 million will be handled compared with $629.4 million in 1952. Returns to the Government are estimated at $40 million, representing $30 million from mortgage payments including interest and principal, $3.5 million from rental payments, and $6.5 million from cash sales and down payments.

Summary cost of activity by work components

	1951	1952	1953
Programs:			
(a) Disposal	$464,000	$335,200	$335,200
(b) Property management	364,045	281,070	281,070
Share of service administration	6,300	10,730	10,730
Total cost	834,345	627,000	627,000

JUSTIFICATION OF PERFORMANCE

The following tabulation shows the comparative workloads of declarations, withdrawals, disposals, and inventory for 1952 and 1953:

	Number	Declared value (millions o dollars)
Available for disposal, June 30, 1951	299	$279.6
Estimated declarations and repossessions, 1952	129	49.4
Estimated withdrawals, 1952	27	42.6
Estimated total available, 1952	401	286.4
Estimated disposals, 1952	184	47.9
Estimated available for disposal, June 30, 1952	217	238.5
Estimated declarations and repossessions, 1953	127	50.5
Estimated total available, 1953	344	289.0
Estimated disposals, 1953	171	66.7
Estimated available for disposal, June 30, 1953	173	222.3

Due to the emergency, all surplus real property is being carefully screened for possible defense use. In addition, real property declared excess by the various Government agencies is screened for defense use before it is placed in the surplus category available for disposal. Declarations and repossessions of surplus property totaled 116 with a total declared value of $68.1 million in 1951. It is estimated that the number of declarations and repossessions in 1952 and 1953 will total 129 and 127 having total declared values of $49.4 and $50.5 millions, respectively.

Mr. THOMAS. You want 62 employees for 1952 and 62 for 1953; 48 in the field, and 14 in the Department.

This only deals with real property, is that correct?

Mr. REYNOLDS. That is right.

Mr. THOMAS. You have no personal property?

Mr. REYNOLDS. None.

Mr. THOMAS. What has become of that personal property?

Mr. LARSON. That was in the inventory of War Assets and it has been disposed of. There has been personal property generated as excess since July 1, 1949, which has been declared surplus, but that is disposed of by the agency generating it under regulations promulgated by GSA.

SURPLUS PERSONAL PROPERTY

Mr. THOMAS. I notice the Veterans' Administration had $217,000 worth of antibiotic pills that they turned over to you as surplus, is that correct?

Mr. LARSON. That is correct and we in turn made them available to the Department of Defense. But that was personal property, so it was handled by our Federal Supply Service.

Mr. THOMAS. Have you ever had occasion to look over the inventory of Veterans' Administration not only on medicine but hospital equipment, office supplies and so forth, generally?

Mr. LARSON. Yes; we are in the process of doing that now.

Mr. THOMAS. You have that authority under the law now; do you not?

Mr. LARSON. That is right.

Mr. THOMAS. What other personal properties did you have to dispose of last year besides $217,000 of antibiotic pills?

Mr. LARSON. Well, that would go over to the Federal Supply activities, because it is personal property. Do you want to go into that before you finish this?

Mr. THOMAS. I have one other problem; we will get into that later.

In other words, the Veterans' Administration had $217,000 worth of antibiotic pills as surplus, as a rough estimate, an indication of bad buying on the part of the Veterans' Administration. Do you have any other instances?

Mr. LARSON. I could not answer that, Mr. Chairman.

Mr. THOMAS. Then the Veterans' Administration got rid of those pills to the armed services, did they not?

Mr. LARSON. Yes; they were directed by us to make a transfer. Under the act, we act as a central screening agency for that sort of thing.

Mr. THOMAS. Well, getting back to the subject of these 62 people here that only dispose of real property found to be surplus to the needs of the Government, you say:

> Real property found to be surplus to the needs of the Government is disposed of, pending which it is protected and maintained. During 1953, real property with a declared value of $634,300,000 will be handled, compared with $629,400,000 in 1952. Returns to the Government are estimated at $40 million, representing $30 million from mortgage payments, including interest and principal, $3,500,000 from rental payments, and $6,500,000 from cash sales and down payments.

Now, the Industrial Reserve does not do any of this work for you, does it, even though it is a piece of property sold out of the Industrial Reserve?

Mr. LARSON. No; if it is in the Industrial Reserve it has the national security clause on it, and the sale terms are dictated by the Department of Defense.

Mr. THOMAS. I understand that, but I am talking about this collecting and getting your payments and insurance, and so forth.

Mr. LARSON. No; Industrial Reserve does not do any of that.

Mr. THOMAS. Well, who does? Does Industrial Reserve do it for the property it sells out of the reserve in addition to this group here—why cannot those functions be combined, in other words, and cut down half of your employment for the Industrial Reserve in the District of Columbia and half of this other?

Mr. LARSON. Well, I do not think you can combine them and do that, particularly at this time, because the national——

Mr. THOMAS. What has time got to do with it?

Mr. LARSON. Because the National Industrial Reserve primarily is a highly specialized custodial and management operation, governed by a separate law, and is not a disposal operation.

Mr. THOMAS. Well now, Mr. Larson, the collection is the same, regardless of whether it has got a national comeback clause attached to it or not, you know.

Mr. LARSON. Well, I misunderstood you. I thought you referred to the Industrial Act. Mr. Medley explained that the collection function is performed in the Office of the Comptroller, and it is performed for National Industrial Reserve properties and surplus properties in this category and all other collection activities are centered in the Comptroller's Office.

Mr. THOMAS. You have got too many people, it looks like to me. You say you have available for disposal 299; what does that mean, 299 pieces of real estate?

Mr. LARSON. That is correct, as of June 30, 1951.

Mr. THOMAS. And estimated withdrawals in 1952, 27——

Mr. LARSON. Yes, but they add 129, during the fiscal year.

Mr. THOMAS. You have got estimated disposals for 1953, 171; estimated available for disposals in 1953, 173. Does that mean about 344 pieces of property or only 173 pieces?

Mr. LARSON. There will still remain 173 pieces of property estimated for disposal as of June 30, 1953.

Mr. THOMAS. After you sell 171?

Mr. REYNOLDS. Yes, Mr. Chairman.

Mr. THOMAS. I cannot understand why it takes 62 people here to take care of about 141 pieces of property; is that what you have?

Mr. REYNOLDS. Mr. Chairman, since I took over this operation, I have worked on this problem a good deal. There are many difficulties and it is extremely complex. Some of these plants are scrambled and there are all kinds of conditions. In order to work out leases of them, running into millions of dollars, you must have highly trained specialists who have to work sometimes for months on a single-lease transaction.

Mr. THOMAS. Well, what is the total of the values of the property you have as of any one day?

Mr. REYNOLDS. Well, I would imagine it would run around $300 million. That isn't just simply little leases, they are running very high in value.

Mr. THOMAS. You say here that due to the emergency they are carefully screened for possible defense use. You also say:

> In addition, real property declared excess by the various Government agencies is screened for defense use before it is placed in the surplus category available for disposal.

You do not mean to say that you have disposed of all real property of the Government, do you?

Mr. REYNOLDS. Oh, no; we do not. There is a large inventory.

Mr. THOMAS. Just what real property of the Government do you dispose of? You do not have anything to do with housing; do you?

Mr. REYNOLDS. No. These consist of many type of real property, including big industrial plants.

Mr. THOMAS. What else besides industrial plants?

Mr. REYNOLDS. Could you enumerate that, Mr. Peyton?

Mr. PEYTON. Yes, sir. They include surplus Army warehouses, camps, commercial buildings, leasehold interests, mineral rights, natural gas storage areas, farm land—quite a large variety.

Mr. THOMAS. You inherited all of them from War Assets?

Mr. PEYTON. Part of the inventory came from the RFC.

Mr. THOMAS. How many pieces of real estate have you had turned over to you in the first 6 months of 1952?

Mr. PEYTON. There have been 32 properties declared surplus since June 30, 1951.

Mr. THOMAS. Where did they come from to you?

Mr. PEYTON. From various Government agencies, some from the Department of the Interior, some from the Veterans' Administration, some from the RFC, and others.

Mr. THOMAS. What is the total value?

Mr. PEYTON. $9,400,000.

Mr. THOMAS. $9,400,000?

Mr. PEYTON. That is right.

Mr. THOMAS. Well then, how many pieces of property did you have turned over to you in fiscal year 1951?

Mr. REYNOLDS. One hundred and sixteen, with a declared value of $68 million.

PROPERTIES IN INVENTORY

Mr. THOMAS. Well now, how many do you have as of, say, January 1 of this year or some recent date?

Mr. PEYTON. As of January 1, 1952, there were 256 properties in inventory, with a total acquisition cost of $244,432,000.

Mr. THOMAS. That is all the property you have as of January 1 of this year, 256 pieces. Now, do you have any paper over and above that?

MORTGAGES

Mr. PEYTON. You mean mortgages?

Mr. THOMAS. Yes.

Mr. LARSON. 453 mortgages.

Mr. THOMAS. And you are servicing the mortgages?

Mr. LARSON. We are not servicing; we are making collections.

Mr. THOMAS. Who is servicing; is that under the Comptroller's office?

Mr. LARSON. Yes, by the Accounting Division.

PERSONNEL

Mr. THOMAS. Well, then, you certainly do not need 62 people to take care of 200 pieces of property; do you?

Mr. PEYTON. I think we do. As a matter of fact, that is certainly the minimum number required.

Mr. THOMAS. What do the 14 people in the District of Columbia do?

Mr. PEYTON. Their job is primarily that of supervision, and assisting the 10 regional offices in negotiations.

Mr. THOMAS. Well, you certainly must be overworked. What do those 48 people in the field do now?

Mr. PEYTON. Those employees are actually engaged in the disposal and leasing of properties, advertising, negotiating sales, the making of awards, the inspection of properties at the termination of leases or at the initiation of leases to check the condition of the property, and checking inventories.

DISPOSAL OF PROPERTY

Mr. THOMAS. Well, how many pieces of property did you sell the first 6 months of this year; I mean fiscal year 1952.

Mr. PEYTON. We disposed of 43 properties with an acquisition cost of $35,209,000.

LEASES

Mr. THOMAS. How many did you lease during that same time?

Mr. PEYTON. There are very few leases made except in the industrial field. We had one plant reacquired after foreclosure which was leased to Fairchild Aviation.

Mr. THOMAS. And it took one and a half men a year to sell one piece of property; is that right?

Mr. PEYTON. You asked me how many we leased. That is not the total number we handled.

Mr. THOMAS. Well, you said—did you not say that you did not lease any?

Mr. PEYTON. No. We leased three plants, and there were a number of leases that were renewed and recast after the expiration date.

Mr. THOMAS. How many of those were there?

Mr. PEYTON. I do not have the figures before me, sir. I will be glad to get them.

(The information requested is as follows:)

LEASE EXTENSIONS AUTHORIZED SINCE JUNE 30, 1951

Project	Name and location	Acquisition cost	Period authorized	New expiration
			Years	
R-NY-281	Allied Chemical & Dye Corp., Buffalo, N. Y	$1,096,000	5	July 1956.
R-Pa-46	Westinghouse Electric Manufacturing Co., Homewood, Pa.	109,000	5	Do.
R-Pa-71	United Engineering & Foundry Co., New Castle, Pa.	22,958,000	1	December 1953.
R-Pa-109	Lehigh Foundries Co., Easton, Pa	1,419,000	5	May 1957.
R-Pa-112	McCreary Tire & Rubber Co., Indiana, Pa	763,000	1½	December 1952.
R-Ill-61	Pullman Standard Car Manufacturing Co., Chicago, Ill.	482,000	1	Do.
R-Mich-42	General Motors Corp., Saginaw, Mich	2,834,000	5	October 1957.
R-Nev-5	Basic Magnesium, Inc., Henderson, Nev	195,000	5	January 1957.
MISCELLANEOUS RENEGOTIATIONS TO PROVIDE FOR CHANGES IN FACILITIES				
R-Ill-50	Granite City Steel Co., Granite City, Ill	$7,730,000		September 1961.
CONVERSIONS FROM INTERIM PERMITS TO LEASES, SINCE JUNE 30, 1951				
			Months	
R-NY-73	Remington Rand Corp., Johnson City, N. Y	$5,482,000	6	June 1952.
L-Ind-71	Cincinnati Disposal Center No. 1, Indianapolis, Ind.	324,000	6	Do.
R-Mich-85	Bohn Aluminum & Brass Corp., Adrian, Mich	14,438,000	6	Do.
R-Wis-37	A. O. Smith Corp., Milwaukee, Wis	2,086,000	6	Do.
NEGOTIATIONS PENDING FOR LEASE EXTENSIONS				
R-NY-97	Utica Drop Forge Co., Utica, N. Y	$723,000		
A-Kan-351	Central Repair Shop, Marysville, Kans	45,000		
R-Ore-30	Pacific Chain & Manufacturing Co., Portland, Oreg.	350,000		
R-Ore-32	Willamette Hyster Co., Portland, Oreg	143,000		
NEW LEASES AUTHORIZED SINCE JUNE 30, 1951				
			Years	
R-Ill-408	Eversharp, Inc., Chicago, Ill	$73,000	5	July 1956.
R-NY-40	Grumman Aircraft Engineering Co., Port Washington, N. Y.	1,728,000	5	February 1957.
D-NY-367	Linde Air Products Co., Buffalo, N. Y	752,000	3	October 1956.

Total number of facilities	20
Total acquisition cost	$63,730,000

PROPERTY RECEIVED FROM RFC

Mr. THOMAS. Now, those 201 pieces of property that you have on hand as of January 1, 1952, how many of them did you inherit from the old War Assets?

Mr. PEYTON. We had 256 on hand. I do not have that breakdown between the 1944 War Assets Act, the 1935 act, and the 1949 act. I will be glad to supply that.

Mr. THOMAS. Well, can you not give us an approximate figure? You have so few properties that you ought to know them all by heart.

Mr. PEYTON. I would say approximately a total of 95 on lease and not on lease.

Mr. THOMAS. In the neighborhood of 45 percent, is that not right, that you had 5 or 6 years, did you not?

Mr. PEYTON. Yes.

AUTOMOBILES

Mr. THOMAS. How many automobiles do you have assigned to this activity?

Mr. PEYTON. None.

PERSONNEL

Mr. REYNOLDS. Mr. Chairman, I would like to call your attention to the breakdown of personnel. In Washington there are only 7 people who are above the clerical grade.

Mr. THOMAS. Whereabouts is this shown?

Mr. REYNOLDS. It is on page 54.

Mr. THOMAS. You have got one grade 15 in the District of Columbia and how many in the field?

Mr. REYNOLDS. None in the field.

Mr. THOMAS. How many in the District of Columbia, one at 15?

Mr. REYNOLDS. One in grade 15; two in grade 14; three in grade 13; and one in grade 12.

FEDERAL SUPPLY SERVICE

Mr. THOMAS. Mr. Reporter, at this point in the record will you insert page 64, Federal Supply Service?

(P. 64 follows:)

Programs of General Services Administration in connection with personal property management are performed under the Federal Supply Service. These include the planning, development, and performance of all activities embracing the procurement and supply of personal property and nonpersonal services (except public utilities services) and functions related thereto, for civil agencies.

The estimate for 1953 holds the purchasing and cataloging activities at the 1952 level and provides for increases in other activities, as follows: placing external supply management surveys on a biennial basis, $69,100; processing current excess personal property declarations resulting from new defense procurement and shifts in defense programs, which will release equipment being replaced, and reducing the backlog, $103,600; maintaining specifications on a current basis and continuing the tire-testing program, a net of $126,600; making more frequent inspections of contractors' facilities and covering inspection of property declared excess, $135,700; and completing the decentralization of traffic-management operations to cover a greater portion of civilian freight traffic, $85,700.

Detailed estimates for each of the activities of this Service, financed from the "Operating expenses" appropriation follow.

ACTIVITIES, FEDERAL SUPPLY SERVICE

Mr. THOMAS. There are several activities listed here: Supply management, purchasing, property utilization, commodity specifications, commodity cataloging, commodity inspection, and traffic management.

Without trying to add up these seven activities, what is the total cost of this Service?

Mr. LARSON. $3,787,000.

EMPLOYMENT, FEDERAL SUPPLY SERVICE

Mr. THOMAS. What is the total employment in the District of Columbia and in the field?

Mr. MACK. The proposed employment in the Department is 405.6 man-years and in the field 237.2 man-years, a total of 642.8.

Mr. THOMAS. For what year?

Mr. MACK. 1953.

Mr. THOMAS. How many in 1952?

Mr. MACK. 399.6 man-years in the department and 181.8 in the field or a total of 581.4.

Mr. THOMAS. 581?

Mr. MACK. 581.4.

Mr. THOMAS. About 70 increase in jobs.

Mr. MACK. 61.4 man-years.

Mr. THOMAS. And about 70 jobs.

Mr. PHILLIPS. It will be a good 70.

Mr. MACK. About that, I would say.

SUPPLY MANAGEMENT ACTIVITY

Mr. THOMAS. Supply management: Cost of $201,200; 25 employment in the department. None in the field. That is a total of 25 for 1953 as against 17 previously. What do those people do?

Mr. MACK. For the most part their work has to do with the surveys of the Federal agencies and putting into effect the recommendations resulting from the surveys.

SURPLUS PHARMACEUTICALS

Mr. THOMAS. Is that where they found $217,000 of antibiotic pills in the Veterans' Administration warehouse?

Mr. MACK. That had to do with the utilization of property. That description of antibiotics, by the way, is erroneous. They were general medicinal and pharmaceutical items.

Mr. THOMAS. That is quite a mistake to make; isn't it?

Mr. MACK. The description is more properly pharmaceutical items, a number of different kinds of medicines.

Mr. THOMAS. Still, that is quite a sizable mistake?

Mr. MACK. It was erroneously described in the budget submission; that is right.

Mr. PHILLIPS. Didn't the price of those drop materially in that period of time? The price that they bought them for was very much higher than they could have bought them for at the time you took over? Isn't that a fact? That group of pharmaceuticals at the time the VA bought them must have been very high on the open market and by the time you took them over, there must have been a loss of half that money.

Mr. WINKLER. I don't happen to know how the price structure compared.

Mr. PHILLIPS. Mr. Chairman, I think that would be interesting to put in the record.

Mr. THOMAS. Supply that for the record.

(The information requested is as follows:)

The Veterans' Administration advises that a majority of the stock at its Wilmington depot was obtained from Army surplus sources and the unconsumed stocks of Army hospitals which were taken over by the VA. These stocks were acquired without cost to the VA in accordance with Public Law 346 (78th Cong.) but were picked up on VA records at Army catalog prices. In addition, normal replenishment action of depot stocks has augmented many of the individual items contained on the list. In order to factually determine the actual cost of these items, it would be necessary to physically segregate and inspect the markings on each box of each item listed to determine the source of supply.

The prices on the list in question are the estimated market prices as of March 1951. VA pricing procedure provides for using the latest procurement costs or estimated current prices, together with information obtained from the Bureau of Labor Statistics Commodity Indexes, so as to approximate the cost of replenishment.

The Bureau of Labor Statistics wholesale price index for drugs and pharmaceutical materials discloses the following trends in recent years:

Wholesale price index, drugs and pharmaceutical materials

	1946	1947	1948	1949	1950	1951
January	112.1	181.7	154.4	150.4	121.5	184.4
July	112.6	137.4	153.6	124.7	129.1	184.7
December						169.0

HIGH-LIGHT STATEMENT AND JUSTIFICATION OF PERFORMANCE

Mr. THOMAS. Mr. Reporter, please insert page 68 at this point.

Supply management

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$132,100	17.6		17.6
Change	+69,100	+7.6		+7.6
1953 estimate	201,200	25.2		25.2

HIGH-LIGHT STATEMENT

Conduct on-site surveys of the personal property management practices and activities of the executive agencies (except the military) and collaborate with agency representatives in activating survey recommendations for developing an economical and efficient supply system for the procurement, storage, and distribution of personal property; and perform related functions.

During 1951 a total of 32 surveys were accomplished. The program for 1952 contemplates an increase to 60 surveys. In order to maintain the programed biennial cycle, the 1953 estimate provides for 102 surveys.

Summary cost of activity by work components

Programs	1951	1952	1953
(a) Supply facility surveys	$72,544	$129,700	$197,900
(b) Supply system development	38,845		
Share of service administration	2,608	2,400	3,300
Total cost	113,977	132,100	201,200

JUSTIFICATION OF PERFORMANCE

The two objective functions of this activity, one of which has been completed and involves no request for funds, are discussed separately.

(*a*) *Supply facility surveys.*—

Program and Performance

	1951	1952	1953
Performance in work units:			
Backlog	241	209	149
Performance	32	60	102
Unit cost per survey	$2,267	$2,162	$1,940
Performance cost	$72,544	$129,700	$197,900

The work unit used to express performance is identified as a "Supply facility survey." A work unit represents an independent supply facility which is responsible for the personal property operations of an agency or a constitutent element thereof.

It is estimated that approximately 60 civilian executive departments and independent establishments of the Federal Government currently operate supply facilities which, because of the magnitude of their procurement, storage, and distribution operations warrant a comprehensive examination under the survey program of the Supply Management Division. Based on (1) the agency organizational structure; (2) the dollar volume of supplies and equipment procured, stored, and distributed; and (3) the number and concentration of employees served, it is estimated that there are 241 supply facility survey work units in the 60 agencies which should be surveyed. Experience supports the conclusion that to obtain and assure maximum benefits the personal property management operations of an agency should be surveyed at least once every 2 years.

Past experience indicates that a comprehensive survey of the personal property management activities of an agency can be accomplished with maximum efficiency by a small group of supply specialists who, in addition to developing recommendations, will collaborate on the spot with agency representatives in adopting survey recommendations. In 1953, it is proposed to utilize six such groups, each consisting of three specialists. It is estimated that each group can perform an average of 17 supply facility surveys annually, thus a total of 102 surveys can be accomplished in 1953 as compared to 60 surveys by 4 groups in 1952. Performance at the budgeted rate provides for completion of the survey cycle in slightly more than a 28-month period, which approximates the programed biennial cycle.

The reduction of the unit cost of a supply facility survey from $2,162 in 1952 to $1,940 in 1953 is occasioned principally by acceleration of the survey program through increased production as the individual survey groups acquire experience in the survey techniques.

(*b*) *Supply system development.*—The development phase of this activity, begun in 1950, was completed early in 1951. No costs are budgeted therefor in 1952 or 1953.

ON-SITE SURVEYS

The cost for the service for 1953 is estimated to be $201,200 as against $132,100 for the 1952 budget. I wish you would justify that. It appears to me as being money thrown away.

You conduct—

On-site surveys of the personal property management practices and activities of the executive agencies (except the military) and collaborate with agency representatives in activating survey recommendations for developing an economical and efficient supply system for the procurement, storage, and distribution of personal property; and perform related functions.

You have no authority to tell them how to do it, when to do it, or how much to buy, have you?

Mr. MACK. The survey——

Mr. THOMAS. What is the answer to that question?

Mr. MACK. We have the power to recommend what shall be done and thus far there hasn't been any difficulty along those lines, because we work with the agencies and they have been very cooperative as far as taking action is concerned where there is a basis for it.

Mr. THOMAS. What concrete evidence can you put your finger on that this expenditure of $201,000 by 25 people is going to save the taxpayer one red penny?

RESULTS OF SURVEYS

Mr. MACK. Mr. Chairman, I think it is going to result in substantial savings.

For example, this year thus far we have completed the survey of the Federal Trade Commission. That is a small agency, but just let me outline what has been done.

There were some administrative supplies that were determined to be excess. There were some calculating machines that were taken over. There was a saving in storeroom stock, saving in steel shelving, and those kinds of items. Of course, that is a small agency.

Mr. THOMAS. What became of those items?

Mr. MACK. They were declared excess.

Mr. THOMAS. Then the agency turned around and replaced them with new ones?

Mr. MACK. No. They reported to us that they were excess and we followed up with our utilization program.

Mr. THOMAS. Then doesn't the agency turn around and say, "This is old stuff; we have to replace it with new ones?" Isn't that the way it usually happens?

Mr. MACK. It hasn't happened that way.

Mr. THOMAS. Which agency are you talking about?

Mr. MACK. Federal Trade Commission.

Mr. THOMAS. I remember they wanted to buy a lot of extra supplies and material this year.

Mr. MACK. These stocks were determined to be excess.

Mr. THOMAS. That is it. One of your men comes along and advises them what to do and they turn around and declare this stuff excess and the next thing you do is put it in surplus and it is worn out and you want to buy some new ones. What happens to it after it is declared excess?

Mr. MACK. It is then screened for use within the Federal Government by other agencies.

Mr. THOMAS. You do that over in your Department?

Mr. MACK. Yes, sir; in our Utilization Division.

Let me give you an illustration.

Mr. THOMAS. You have already given me one. I want to show you how much you have saved.

On "supplies and materials," by virtue of your efforts with that bureau, they want exactly the same amount of money they did last year, so you haven't saved anything, have you?

On equipment, they want exactly the same amount as they wanted last year. So where did you save anything?

Mr. MACK. Of course, there are two considerations there. The first is that there has been an increase in price, which has some bearing on that. The second point—and I think this is rather important—is a matter of going to the Budget Bureau and coordinating with them on each one of these surveys, so they will have the information and be able to translate it in terms of specific savings insofar as budget estimates before the Bureau of the Budget are concerned. Mr. Gus Moe who until recently became Director of the Supply Management Division is actively working on this matter. He was with the Bureau of the Budget for 11 years and prior to that was with Public Administration Service for about the same length of time.

Mr. THOMAS. If you are trying to be specific and show something tangible, the best bet would be to tell us what happened to the property that was declared surplus.

Mr. MACK. The Federal Trade Commission Survey was very recent, but we can follow that through and give you the detailed results.

Mr. THOMAS. If I had a crowd of 25 people doing a job and they were constantly being criticized for the reason that their efforts were not considered worth anything to the taxpayer, I would certainly follow through. Your biggest point is to show what happened to the surplus material.

Mr. MACK. Let me go back to one that happened earlier, early enough so that we can show some of the results. The Federal Trade Commission survey was fairly recent.

Within our own organization, General Services Administration, there was declared excess $1,377,000 of personal property.

Mr. PHILLIPS. Out of which agency?

Mr. MACK. Out of our own agency.

Some $563,000 has been utilized by other agencies of the Federal Government. There was $55,000 used by other organizations within the General Services Administration. That is, it was excess to one, but needed by another.

Mr. THOMAS. When was that, sir?

Mr. MACK. This is for the period from July 1 to December 31, 1951, the first 6 months of this fiscal year.

Mr. THOMAS. Is that reflected in other objects of GSA's budget?

Mr. MACK. These are excess amounts that will be reflected in proceeds from the disposition of this material and, of course, from the sale of other material.

Mr. THOMAS. How much was it?

Mr. MACK. $55,000 was used in other organizations of GSA.

Mr. THOMAS. Let's see if that is reflected in your budget.

All you want for supplies and material is $1,000,000 more for 1953 than 1951, so you do not reflect a saving there, do you, in General Services Administration?

Mr. MACK. The $55,000 used within GSA is an offset against what was set up as requirements, I am certain.

Mr. THOMAS. It is certainly not reflected in your 1953 estimate as compared with your 1952, because you show an increase of approximately $1 million in your big item of supplies and materials.

Mr. PHILLIPS. The request for 1952 is the same as for 1953. So you have made an increased demand for next year for 1953.

Mr. THOMAS. Your supplies and materials jumped up from $36,700 to $47,253 in 1953. That is for Federal Supply Service.

Now pick out another example. You have picked out two and you have shown where you have increased your costs. See if you can pick out one where you decreased it.

Mr. MACK. On that point, within our own organization, the increase we have asked for because of the greatly increased program for 1953 would have been more if we had not used the property within the organization.

Mr. THOMAS. I hope it wouldn't have been much more. It is about a 25-percent increase.

Mr. MACK. Another item was $23,000. Those were the same type of items that we use in our stores. Those were transferred to our stores for distribution to other Federal agencies. In other words, our purchases were reduced to that extent.

Mr. MEDLEY. Mr. Chairman, a large part of that property was also in the nature of equipment and for GSA under "Operating expenses" that goes down from $2,326,000 in 1951 to $1,085,000 in 1952 and down to $861,000 in 1953. That does show very definite and substantial reduction.

Mr. THOMAS. What is the difference between supplies and materials and equipment?

Mr. MEDLEY. Equipment is nonexpendable items, whereas supplies and materials are those which are consumed on a month-to-month basis.

Mr. THOMAS. The point in my asking that question is that you do not know and I do not know, to be perfectly honest about it. That is an interchangeable term. Under the formula set up by the Bureau of the Budget you can put out 9 out of 10 items under either classification and decide yourself just where you want to put them.

Mr. MACK. Then there is one other additional item. There were $675,000 of GSA excess which was disposed of as surplus property; in other words, sold. So that accounts for the total amount. It was sold and recovery will be $79,000.

Mr. THOMAS. That was covered into the Treasury?

Mr. MACK. It will be as soon as the proceeds are received by GSA.

PURCHASING ACTIVITY

Mr. THOMAS. Let's look at your purchasing operations. You have a total for 1953 of 92.9 against 89.3 for 1952, and a cost of $596,700. You say:

> Wherever advantageous, term contracts are established against which agencies can place orders directly for procuring commodities and services of common use.
>
> Performance in 1951 under partial decentralization totaled 6,896 work units. The budget for 1952, covering a full year of decentralization, contemplates 11,942 work units. The estimate for 1953 provides for annualizing the June 1952 rate, resulting in 12,061 units.

What does this group do? What do these people do?

Mr. MACK. That is one of our principal programs. This item has to do with the Federal schedule of supply term contracts.

These contracts cover about 45,000 items of common use. The contracts are made by us and distributed to the Federal agencies who place the orders directly against our contracts with the suppliers.

MANDATORY USE OF CONTRACTS

Mr. THOMAS. Does the law make it mandatory that they accept your contracts?

Mr. MACK. They vary according to classes of commodities. In general, about half of the contracts are for use in and around Washington, D. C. The other half are for Nation-wide use. They are used substantially throughout the country, again depending upon the commodity in use.

Mr. THOMAS. Is it mandatory upon the various consuming agencies to use your standard-form contracts?

Mr. MACK. Yes; where it is so specified in each contract. In each pamphlet which lists the contract the statement is made as to the extent to which it will be mandatory. For example, it will state that this contract is mandatory on all agencies—military and civilian—within the District of Columbia and the nearby area. Or it will state that this contract is mandatory on all civilian agencies Nation-wide.

Mr. THOMAS. Does your basic legislation give you authority to write those contracts and make it mandatory for the agency to use?

Mr. MACK. Yes, indeed. The same amount is requested for 1953, and we are proposing to increase our work load somewhat with the same organization.

COMPETITIVE-BID CONTRACTS

Mr. THOMAS. What is your work load—more contracts?

Mr. MACK. Yes, we have done a certain amount of decentralization. We are trying to undertake more, so that the contracts can be made locally by our regional offices in order to make it easier for the small-business man and local supplier to bid on the contracts to serve the region, or the adjoining regions.

Mr. THOMAS. Are these competitive-bid contracts, or what are they?

Mr. MACK. They are competitive-bid contracts almost exclusively. Purchases against these contracts, by the way, run substantially in excess of a couple of hundred million dollars a year.

Mr. THOMAS. Does that come through the supply funds?

Mr. MACK. No, sir. The contracts are used by the agencies who place the orders directly with the supplier against our contracts. The using agency pays for them directly. Therefore, our supply funds are not used.

Mr. THOMAS. I thought you could buy in large quantities?

PURCHASING OPERATIONS

Mr. MACK. There are two operations, Mr. Chairman, which have to do with purchasing. The first is the purchase contracts made by this activity known as Federal schedules of supply, which are distributed to the agencies for their use in placing orders directly with suppliers. The other type of purchasing has to do with our supply stores operation under the "Expenses, general supply fund" appropriation. Under that operation we buy for stores distribution or we buy for

direct distribution in consolidated lots those commodities which lend themselves to that type of purchase.

NATURE OF ITEMS PURCHASED

Mr. THOMAS. What is the nature of the material you buy by way of this contract?

Mr. MACK. Electrical items, furniture, stationery items, fuel, gasoline, office equipment, and such types of items. Those are typical of the Federal Supply Schedule term contract items. In other words, we make the contracts, we carry no inventory, but the agencies place orders with the suppliers, against our contracts for their actual needs.

Mr. THOMAS. Where does the advantage in price come in in such an operation?

Mr. MACK. The advantage in price is substantial because each purchaser gets the advantages of volume purchase contracting. For example, consider tires and tubes, a commodity which I didn't mention earlier. For passenger cars, 600 by 16, four-ply, the retail price, if an agency went out to buy a couple of tires would be $20.10 each. Our schedule price is $12.26.

Mr. THOMAS. Is that when they buy them directly or get them out of the Supply Fund?

Mr. MACK. This is when they buy them directly against our term contract. We don't carry any tires or tubes in the stores, which are financed by the General Supply Fund.

Mr. THOMAS. That is a very common use item on an automobile, but what about an equipment item?

Mr. MACK. For example, here are some items——

Mr. THOMAS. You are going to write a contract here on a purchase item, some uncommon piece of electrical equipment. If you do, you are wasting a lot of time and you are not going to be able to buy it by virtue of your contract for a penny less than the agency can buy it.

Mr. MACK. For uncommon types of equipment, that is true, but we don't make supply schedule contracts for uncommon items. We wouldn't buy automobiles or trucks under this type of a contract. We make consolidated purchases of actual needs by month. However, for an item as simple as an electric light bulb, for which we have a contract for the military needs as well as civilian needs, we are able to get the maximum discount, which, I believe, is 46 percent. Accordingly, for those types of commodities—and we try to select the right commodities—the agencies realize substantial savings.

The use by the Federal Government, military and civilian agencies, of light bulbs runs about $6 million a year. A 46-percent discount is pretty close to half of that.

Mr. THOMAS. Why isn't this activity combined with the general supply fund? Why have two separate and distinct organizations? Apparently the big volume of your work is common-use items, the same purpose as your general supply fund.

Mr. MACK. There is this rather important distinction. The term contracts which we make are for the agencies generally and we distribute the term contracts to every agency of Government for their use, depending upon their needs. Some use them to a limited extent because they have limited supply needs. Others use them very ex-

tensively because they have substantial supply needs. In our stores operation that is an operation where we do the entire job. We determine the quality, quantity, and type of commodity to carry in inventory. We buy the stock commodities, stock them, distribute them in retail lots at wholesale prices, and pass along to the agencies the savings. To summarize, on the one hand we are performing a contracting service which is general in nature throughout the Government and, on the other hand we are really doing a merchandising job and the Supply Fund is the means for financing the purchases and other direct costs.

Mr. THOMAS. Why the difference? Is there a difference in quantity, or what?

Mr. MACK. The nature of the items. Certain items are suitable to stock for stores distribution. Therefore, we buy such items in bulk and distribute them. Other items, where there is an indefinite need, but a contract is justified, may not be suitable for stocking. The electric light bulbs, for example, are breakable and there is a handling hazard. We wouldn't want to carry them in stock for that reason.

VOLUME OF PURCHASES

Mr. THOMAS. What is the dollar volume of this supply management operation?

Mr. MACK. The request——

Mr. THOMAS. Say for the first 6 months of 1952. I mean Purchasing.

Mr. MACK. On the term contracts the volume for this year will run substantially in excess of $200 million. With increased needs it might be nearer 300 million next year.

Mr. THOMAS. Your stores are what? $157 million?

Mr. MACK. That is what our 1953 estimate is based on for stores sales. In addition to that, we will be buying for direct delivery about 97 million.

SINGLE PURCHASING ORGANIZATION

Mr. THOMAS. This unit here doesn't do the purchasing of under your stores?

Mr. MACK. No, sir; not under this appropriation.

Mr. THOMAS. So you have two separate and distinct organizations doing purchasing?

Mr. MACK. No; we do not. The same commodity groups handle the term contracting under this item and the replenishment purchasing for our stores under "Expenses, GSF." In other words, a furniture group will purchase certain items of furniture for stores distribution if they are suitable items for stores, and they will also make supply schedule contracts for certain other furniture items that fit into this program.

Mr. THOMAS. I misunderstood you. I thought you said your purchasing group didn't work on this.

Mr. MACK. This particular item is exclusively for term contracts, but "Expenses, GSA," which has to do with the stores issue, are financed under the "Expenses, GSF" appropriation.

PERSONAL PROPERTY UTILIZATION AND DISPOSAL ACTIVITY

Mr. THOMAS. Under "Personal property utilization and disposal" you list 107 people in 1953 against 87 in 1952.

Personal property reported excess by Government agencies is screened to achieve maximum utilization by transfer to other agencies which requisition similar items, thus obviating new purchases. The remainder is disposed of as surplus.

The cost here is $626,300 for 1953 as against $522,700. Can you put your finger on any good examples, other than the ones you mentioned a few minutes ago, of actual savings?

You mentioned Federal Trade Commission and your own agency and in both instances the items for supplies and materials have gone up in 1953 over 1952.

COST OF SUPPLIES AND EQUIPMENT

Mr. MEDLEY. Mr. Chairman, that increase in supplies and materials for 1953 over 1952 is directly attributable to the $9 million building operations which we take over in 1953, which was reimbursable from the other agencies in 1952. Therefore, I think that throws a disproportionate light on the subject you have been discussing.

Mr. THOMAS. You don't mean to say you will have to spend $1 million to supply the materials against $9 million for rents and utilities? That $8.7 million is for utilities.

Mr. CAMERON. The increase is not only in the point that Mr. Medley mentioned of the transfer, but there is also $3 million in the estimate for restoring the service cut that was made last year, and a portion of that is also in supplies.

Mr. PHILLIPS. Restoring which cut?

Mr. CAMERON. The cut in level of services all the way through Buildings Management.

Mr. THOMAS. That was mostly in salaries. That was in actual jobs. The justification complained about that, that they didn't have enough employees to keep the buildings quite as tidy or orderly as they wished.

Mr. LARSON. Mr. Chairman, the $400,000 plus of the increase in the total supplies and materials here is attributable to Buildings Management and primarily to the increase in workload as a result of taking on additional space under plan 18 and supplies for the new records centers.

As Mr. Medley pointed out, these examples which were given fall into the category of equipment, such as cleaning machines, office furniture, filing cabinets, et cetera. That shows a substantial decrease——

Mr. THOMAS. Under plan 18, which you took over, it called for $8,700,000. At least 60 to 65 percent of it, and maybe more, is for rent and utilities. Maybe it is all for rent and utilities, with the exception of a small part. There may be some wages in there.

Mr. LARSON. I don't recall that particular analysis. It covers all of the things required in the management of the building space which we take over.

As Mr. Reynolds pointed out, when we discussed it this morning, when you were questioning him about his item of supply and materials——

COMMODITY SPECIFICATIONS ACTIVITY

Mr. THOMAS. Let's look at the next item, "Commodity specifications," $620,000 for 1953, which is an increase of $126,000 over 1952. There are 82 employees in 1953 as against 81 in 1952.

That increase in salaries is required when there is only an increase in one job?

Mr. LARSON. As you will note on the bottom of the page, $128,000 is for the special tire-testing project.

Mr. THOMAS (reading):

> Specifications for mandatory use in the Federal supply system are developed to establish satisfactory standards of quality and other characteristics of commodities to be purchased. Technical assistance is provided on specification matters in connection with purchase contracts and in establishing qualified products lists for simplifying procurement processes.

This is a continuing operation every year; isn't it?

Mr. MACK. Yes, sir. Those Federal specifications are for common-use items. Beginning with this year we have undertaken the utilization of available industrial standards as much as possible.

TIRE-TESTING PROGRAM

Mr. THOMAS. Is that $36,000, Mr. Mack, here for research and development testing, new products? What are you going to test? It jumps about $88,000 on your testing. Is that salaries or is that by contract?

Mr. MACLEOD. That money is actually transferred to the Bureau of Standards to test purchases under our Federal Supply Schedules.

Last year the committee appropriated $40,000 with which to conclude the developmental work on the tire-testing program. It was the plan for 1952 to underwrite the expense of the basic developmental work for standards and specifications, but we would require the industry to offset the cost for testing the products delivered under the schedule.

SUMMARY COST OF ACTIVITY BY WORK COMPONENTS

Mr. THOMAS. Will you insert at this point, Mr. Reporter, the table on the bottom of page 79?

(The table referred to follows:)

Summary cost of activity by work components

	1951	1952	1953
Programs:			
(a) Specifications promulgated	$257,223	$392,834	$394,419
(b) Contract specifications	34,240	51,366	51,366
(c) Special tire testing	136,824	40,000	128,000
(d) Research and development testing, new products			36,115
Share of Service Administration	10,033	9,200	10,100
Total cost	438,320	493,400	620,000

Mr. MACLEOD (resuming). The industry, in a series of meetings, took the position that they should not be required to underwrite that cost. In consequence, we are asking for an appropriation to continue the testing work to determine the compliance with our specifications through fiscal year 1953 at a cost of $128,000. That money will be paid to the National Bureau of Standards for doing the testing.

Mr. THOMAS. You had $136,000 in 1951. How much money are you going to spend on this? Is that a continuing item every year?

Mr. MACLEOD. That is right. It is a continuing item, Mr. Chairman. Purchases under Federal supply schedules total upward of $72 million worth of automobile vehicle tires a year. We find that the quality of those tires varies conservatively 20 percent. By setting up this type of quality control we increase the serviceability of the tires purchased. The committee must understand that these deliveries of tires are usually for one or two or a dozen. We cannot individually inspect each delivery of tires. We have to set up some system whereby we can work with the industry and improve the quality continuously of all suppliers under the contracts and determine which ones are qualifying to supply the best tire. So, by virtue of this continuing expenditure of money, we are setting up an inspection system which never before existed and at the same time improving the quality of the tires delivered.

Mr. THOMAS. We have heard that now for the last 3 or 4 years. Can you put your finger on anything specific whereby you have improved the quality of the tire, made the tire last longer, or gotten a better price? That is what we are interested in.

Mr. MACLEOD. I have here the specification which was developed, working with the industry, and based upon these tests, a matter of 6 weeks ago. In that specification it was determined we should set as a going level of serviceability 19,000 miles, because at that time, if we set it any higher, we would disqualify 8 major suppliers of tires as to present tires. We called the industry in to discuss this provision.

Mr. THOMAS. Are you buying a beter tire than John Public buys or are you buying a better tire than any individual businessman, when he goes to a reputable store down here and buys a nationally known trade-name tire? Are you getting a better tire than we individuals do? Are you getting a better tire than the United States Steel or General Motors or Ford Motor Co. when they buy tires?

Mr. MACLEOD. Off the record, yes.

Mr. THOMAS. Why off the record? You want to justify this.

Mr. MACLEOD. Yes. We have discussed it with industry and they have agreed to immediately give us a basic minimum serviceability of 19,000 miles. Of course, that represents a direct saving, based on the facts that we have collected and the clear understanding the quality varies to the point that, frankly, the Government is not getting the fullest value for its money.

Mr. THOMAS. Does that apply to the public, generally, and industry, generally?

Take a big fleet operator who goes out and buys a couple of thousand tires a year. A lot of these operators will have seven or 800 trucks and

automobiles, et cetera. He goes to his district distributor of Goodrich or some big, well-known tire dealer, and buys so many tires to be shipped to him.

Do you mean to say that the Government is getting a better tire for the same money than industry is getting?

Mr. MACK. The two programs differ somewhat in this way. The fleet operator can get mileage-service contracts on a rate basis. The individual tires are registered and controlled by the supplier, who has a representative on the job to measure the serviceability. They keep compensating them based on this contract. It isn't very feasible with cars and trucks throughout the country to interpose that kind of contract in the Government. We largely have to depend upon our ability to make a term contract available, against which each agency may buy its individual and specific requirements of tires and at the same time be able to get prices that compare with those for new equipment on new automotive vehicles.

Mr. THOMAS. What you are saying, then, adds up to this: Every time a Government agency sends in an order to some tire manufacturer, they are going to give that special treatment, put a little more rubber on, put in some more carbon black or heavier fiber in the tire than they are making for John Public.

Mr. MACLEOD. Frankly, Mr. Chairman, the public will benefit indirectly, although we are not primarily concerned with the type of tires delivered to commercial organizations. We are interested in getting our tires from commercial production. The only way we can do it is to set up some system of quality control in which these suppliers participate, to measure the actual serviceability received.

Mr. THOMAS. Your purchasing at contract Specification Division, when you all get together on it, it adds up to this: You write two or three contracts and you say, "Here are our plans and specifications. We want 5,000 tires made to this specification." Is that the way to do it?

Mr. MACK. That is exactly the point. The traditional practice for years has been this: That the specification which we issued for the purchase of tires called for a first-quality tire, the first-quality tire of the manufacturer. The first-quality tire of a manufacturer varies in performance, as our tests have shown. They vary from as low as 12,000 up to 28,000 miles.

Mr. THOMAS. What makes them vary?

Mr. MACK. Because the manufacturer in certain types of tires just does not make them so as to stand up as other makes do. But the only way we know it is to run wearability tests. That is what these tests have done. Now, for the first time, instead of sending out a specification saying, "Will you bid on your first-quality tire," which may be good for from 12,000 to 30,000 miles, we say, "We want a tire that will give us minimum performance to the extent of 19,000 miles." Then, on that basis, we make sure that the floor starts at 19,000 and not below that.

What we propose to do, as these tests go along, is to tighten up those specifications so we will get value for the money we are spending. When the civilian agencies alone spend in the neighborhood of $20 million for a commodity, it is important.

Mr. THOMAS. Do you buy for the Veterans' Administration?

Mr. MACK. They use our contract. It is not mandatory, but they use them, generally.

Mr. THOMAS. Do you buy them for AEC?

Mr. MACK. Yes, sir. AEC is not required to buy from our contracts, but they do.

Mr. THOMAS. Who is required is buy from your contracts?

Mr. MACK. On tires and tubes it is all Federal agencies here and in the field—also military—up to a carload quantity. So, it is generally applied. The Army Ordnance, in substantial purchases for spot needs, makes their own contract.

COMMODITY CATALOGING ACTIVITY

Mr. THOMAS. What about your "Commodity cataloging"? The cost for 1953 is $994,900, an increase of $600 over 1952. There are 216 employees listed for 1952 and a decrease of 10 for 1953.

Active cataloging of civil and common-use civil and military items began on a small scale at the end of 1950 and continued at that level until about March 1, 1951, whereupon it was accelerated toward the progress scheduled by the Munitions Board for the military portion of the catalog.

Insert the table in the middle of page 84 and on throughout the entire page.

(The material referred to follows:)

Summary cost of activity by work components

Programs	1951	1952	1953
Federal catalog system	$409,206	$850,733	$887,470
Federal Standard Stock Catalog	105,866	108,285	
Developmental program	51,535	56,682	91,530
Share of service administration	13,293	18,600	15,900
Total cost	579,900	994,300	994,900

JUSTIFICATION OF PERFORMANCE

As the three objective functions of this activity are susceptible to widely divergent unit costs, each will be discussed separately.

Program and performance

	1951	1952	1953
(a) Federal catalog system:			
Number of items on hand beginning of year	1,492,552	1,452,114	1,313,830
Number of items identified and incorporated	40,438	138,284	134,640
Unit cost	$10.12	$6.15	$6.59
Performance cost	$409,206	$850,733	$887,470

A unit represents the description of a commodity item used by civilian agencies, identified as to its characteristics, with the assignment of single number and standard name, to be part of an over-all uniform catalog.

CATALOGING PROGRESS

Mr. THOMAS. What progress are you making in your cataloging?

Mr. MACLEOD. We are making all possible progress in terms of staff available. This program is a joint program between the Munitions

Board and the GSA, in which the Administrator has delegated to the Munitions Board, through the Secretary of Defense, responsibility for the basic development of the Federal cataloging system.

Mr. THOMAS. You have been working on this for 3 years, haven't you?

Mr. MACLEOD. That is correct.

Mr. THOMAS. When are you going to have a catalog out?

Mr. MACLEOD. It depends upon the appropriation.

Mr. THOMAS. You have 200 employees for 3 years.

Mr. MACLEOD. Not quite, sir. I might point out that we had in 1951, $600,000, and the staff at that time was 234 people. In other words, we got under way in March 1951 and identified 40,000 items. In 1952 we have the same amount of money as is proposed in 1953 and will identify 138,000 items. That will be done with 206 people. We have a million and a half items to identify, a million of which are in common use between ourselves and the military, and half a million of which are solely civil agency items. So you can project the picture. We are working at the rate of about 650 items per individual per year.

Mr. THOMAS. What is some of the descriptive work? Do you have a sample of one of your items that you are cataloging here?

Mr. MACLEOD. No; I didn't bring one with me. I do not have an identification card.

Mr. LARSON. Explain what it is.

Mr. MACLEOD. I will be glad to submit a number of those to the committee.

Mr. THOMAS. Name one commodity-use item. Let us see how you catalog it.

Mr. MACLEOD. All right, Mr. Chairman. For example, in foodstuffs, canned goods, any particular type of canned goods, the military specifies one of several grades, purchased in certain quantities for certain distribution. When we describe that item, we must describe it in quantities and in qualities not generally required by the military.

We specify canned foods for the Federal prisons industries. It isn't the same quality nor do we buy on the same levels of quantity. So we have to vary that description in the degree that its quality is less and the quantity is less. So our description differs from the military only in terms of those two elements. In the case of Veterans' Administration, we have many areas where they are interested in diabetic treatment, in special kinds of foodstuffs for the rehabilitation of veterans, that are not used by the military. So those constitute individual civil agency items. The same is true with their drugs. Certain types of drugs, as mentioned earlier in the hearings, are different because of the therapeutic approach that the Veterans' Administration must take in rehabilitating injured or discharged veterans. In many of the items they are common, and we are striving continuously to get full standardization between ourselves and the military in the areas where the items should be and are common—bed sheets and blankets. You perhaps have heard some discussion recently about that.

Mr. THOMAS. What is the difference between cataloging and the commodity specifications?

Mr. MACLEOD. The specification is a comprehensive document that covers a general group of materials. For example, it would cover hardware, certain medical supplies, and so forth.

Mr. THOMAS. Are you coming out with a big catalog like Sears, Roebuck has, describing a great number of articles? What are you going to do? You have spent about $1,500,000 for 2 years and you are not even able now to give us a little specimen.

Mr. MACLEOD. I am sorry we didn't bring one with us.

Mr. THOMAS. Here would be a good place to bring it.

Mr. MACLEOD. Yes, it would. I would welcome the opportunity to have brought and shown you the examples of our work because we have done some very useful work in this field.

Mr. THOMAS. That is a conclusion and we have no proof of it so far.

(The following information was supplied for the record:)

The Federal civil agencies have supply systems in which their items are listed, but these listings are neither uniform within a particular civil agency system, nor are they uniform with the systems of other Federal civil agencies. The Federal catalog program establishes a uniform Federal supply catalog system which will identify and classify personal property under the control of all Federal agencies.

The listings from the Federal civil agencies are received by the Federal Supply Service and the characteristics of the items in these listings are then arranged in a uniform manner. Information which is missing, incorrect, or inadequate is detected and corrections or additions are made after technical examination. The resultant item description is then compared with similar identifications of other military or civil agencies. If the item matches exactly one which has already been completed, the item receives the Federal item identification number already assigned to that item. If the item cannot be matched, a new Federal item identification number is assigned to it.

The Federal item identification cards herewith are samples picked at random of items falling within the categories of hand tools. A typical illustration is card bearing Federal item identification No. 237–8106 which lists all the pertinent characteristics of a common hacksaw blade of a particular size and type. The activity stock number at the right indicates by code that these civil agencies have this item in their supply systems under the number indicated. Note that a single Federal item identification number (237–8106) replaces the 10 agency stock numbers shown on the right-hand side of the card.

FED COMMODITY CLASS	FED ITEM IDENTIF NO.	STD COMMODITY CLASS	PC NO.	DP NO.	ACTIVITY STOCK NUMBER
	237-8106	5822	76	489	

1. BLADE, HAND HACK SAW
2. alloy steel, all hard
3. 12 in. nominal lgth
4. 24 teeth per in.
5. 1/2 in. wide
6. 0.025 in. thick

6.5 govt spec data
- a. Fed spec
- b. GGG-B-451
- c. Class A

6.6, 6.7, AA, AA.5 N/A

B. data regarding a "typical mfr"
- 1. Henry Disston & Sons, Inc
- 2. Philadelphia, Pa
- 3. Type No. 2412C

CH:
GS-fs: 41-B-1157
TV: 51-18507-I-5
GS-pb: 41-B-1157
DC: 15-B-50
TR-bm:
TV: 51-16272-I-3
TV: 51-2769-I-3
IN-sp: 50-135-1-I-4
41-B-1157 (FSSC)

1490

DD FORM APP'D 146	ITEM IDENTIFICATION CARD	DATE 14May51	PREPARED BY GS-fs: Serial No. CIV 5-7-2726

CH —National Capital Housing Authority
GS–FS —General Services Administration, Federal Supply Service
TV —Tennessee Valley Authority
GS–pb —General Services Administration, Public Buildings Service
DC —District of Columbia
TR–BM—Treasury Department, Bureau of the Mint
IN–Sp —Department of the Interior, Southwest Power Administration

When all civil agency items have been identified, the Federal Supply Service will have a complete record of every civil agency user of the item. This will be most useful in estimating requirements and in connection with centralized procurement and cross-servicing between agencies.

The catalog data will be disseminated to the civil agencies by several means. These are:

(1) By 8 by 5 reproductions of the item identification cards. This method is the most economical where civil agencies have relatively few items in a commodity area encompassing many items, and will be used under these circumstances.

(2) By item identification pamphlets. This method will be used where many civil agencies use the bulk of the items in the commodity area. Examples are Administrative Supplies, Administrative Furniture, Administrative Equipment, Food, Antifriction Bearings, and other areas. Those pamphlets will average about 100 pages each.

(3) By means of electric accounting machines, cards, or tapes. This method is effective for use in commodity areas embracing replacement parts which in general are peculiar to a particular machine or device and which are the product of one manufacturer.

Every civil agency, bureau, or subdivision uses administrative supplies, furniture, and equipment. The item identification pamphlet, which will be completed this fiscal year for these items, may thus be used as an operating catalog. Each civil agency, bureau, or subdivision will receive 8 by 5 cards and electric accounting machine cards or tapes for only the items they have in their supply systems. It will be the responsibility of each agency, bureau, or subdivision to prepare operating catalogs from the master deck of 8 by 5 cards or electric accounting machine cards or tapes they receive to meet the peculiar requirements of their supply systems.

While operating catalogs may differ as to format and content, they will all include a name, description, classification, and identification number which is identical with all other operating catalogs prepared by any military bureau, service, or command; or any civil agency, bureau, or subdivision.

COMPARISON WITH WORK OF MILITARY

Mr. ANDREWS. Is this cataloging in addition to the work done by the military, the catalog that the military is working on?

Mr. THOMAS. The military has been working on it since——

Mr. ANDREWS. Five years——

Mr. MACLEOD. Since the fiscal year 1948.

Mr. THOMAS. The Navy started to work on one at the tail end of the war, 1945 to 1946.

Mr. PHILLIPS. The Army catalog has cost $50,000,000 up to now. How much has yours cost?

Mr. THOMAS. Two million four.

Mr. ANDREWS. In comparison to size, how will your catalog compare to the Sears, Roebuck catalog?

Mr. MACK. There will not be a single catalog, such as the Sears, Roebuck catalog, but there will be a card-index file that will have the standard listing of each item. From those standard listings there would be pamphlets prepared for a particular item, averaging about 100 pages.

Mr. ANDREWS. Wouldn't it be cheaper and easier to put them all in one catalog?

DD FORM 146 ITEM IDENTIFICATION CARD DATE 14May51 PREPARED BY GS-fs; Serial No. CIV 5-7-2726

Mr. MACK. It would be too large to be usable.

Mr. ANDREWS. Sears, Roebuck has a big catalog, but they get it out once a year and sometimes twice a year.

Mr. MACK. This is about 3 million items.

PURPOSE OF THE CATALOGUE

Mr. THOMAS. What is the purpose of the catalog?

Mr. MACK. The purpose of the catalog is to standardize on the description of items, so that duplications may be avoided, so that the same item which is bought under a proprietary name, for example, or maybe under different descriptions in various supply systems throughout the Federal Government or through various agencies throughout the Federal Government, can be determined as being actually the same item, thereby eliminating duplications and facilitating reduction of inventories. It is a tremendous job.

Mr. THOMAS. I can imagine that, if you are going to describe 3 million items.

MAN-YEAR PRODUCTION RATE

Mr. MACK. I believe our rate of production is about 670 per man-year, which for item identification jobs is very good.

Mr. MACLEOD. As a matter of fact, in 1951, through June 30, 1951, we were describing items at the rate of only 449 per person, with 90 man-years effort. From July 1 to December 31, we increased that rate to 654 items per man-year. Since January of 1952 the rate is 657. We are striving to increase it to 720. I submit those figures as being outstanding rates of production.

Mr. ANDREW. What do you mean by that 720?

Mr. MACLEOD. That means the identity of the basic items, the basic identity of the items, the uniform identification.

Mr. ANDREWS. You mean one man can identify 720 a year?

Mr. MACLEOD. Yes.

Mr. ANDREWS. How many is that a day?

Mr. MACLEOD. Three.

Mr. ANDREWS. You say that is fast work?

Mr. MACLEOD. Yes, it is.

SYSTEMS OF ITEM IDENTIFICATION

Coming back to this point of the basic difficulties, there are some 17 different systems of item identification being used in the Federal Government, so we cannot talk about an item in the same language from one agency to another. We cannot do it. We cannot exchange stocks. We cannot get effective declarations of excess. We cannot get eeffctive measurements of inventory. We do not talk about the same thing, when, in fact, it is the same thing.

VARIATIONS IN SALT

Mr. ANDREWS. Let's take salt. How many ways do you describe salt in that catalog?

Mr. MACLEOD. If you take the variations of the type of salt that are available, you find there are about 10 different variations of salt

being used by the Federal Government. That is a conservative guess. For example, there is common sodium chloride.

Mr. ANDREWS. Table salt.

Mr. MACLEOD. One variety may have some iodine in it. Then we have various types of granular salts, some for use in melting snow, for example. It is a matter of isolating those varying qualities. It is true that we may have too many varieties, and this is a means of cutting those down, too. The Government may be using too many varieties, but I think you would be amazed on several items. There has been a discussion on common nails. Recently, and you would be amazed at the variations of various applications, enamel-coated, et cetera, for boxes. There are numerous specific variations.

Mr. THOMAS. I wouldn't feel bad about that. The Research Department of Mr. Foley's crowd, in Housing, spent two or three hundred thousand dollars on research on how to drive a nail. They said it is the most popular thing they had ever printed.

Mr. LARSON. I think, Mr. Andrews, in order to get a complete picture of what is required to describe these three items a day, that Mr. MacLeod should explain to you that you might have to go through 15 or 20 descriptions of a similar item—one man might have to go through those descriptions—in order to get it down to one final description for the catalog. The time used is in the elimination of the duplication, not in arriving at the description of the one which is the end result. Of course, that is the whole purpose of the catalog, to eliminate duplication, to eliminate all of these catalog provisions in the 17 different systems that are in force as to how to describe the same thing.

Mr. THOMAS. Isn't table salt in any agency of the Government or in any country of the world, table salt?

Mr. LARSON. I don't know. To me it is, unless it has to have iodine in it, or something like that.

COMPLETING CATALOG

Mr. THOMAS. How long will it take you to finish this catalog?

Mr. LARSON. We would like to finish it by 1955, but it may take until 1960. I do not know.

Mr. COTTON. Will it stay finished, then? Won't there be variations in it and new items?

Mr. LARSON. It should stay finished, but there will be a certain level of continuous upkeep necessary.

Mr. THOMAS (reading).

At the rate for 1952 and 1953, completion of the civilian portion of the catalog—

not including the military—

would be delayed until 1962.

That means at a rate of $1,000,000 a year, it will be 1962 before it is completed.

COMMODITY INSPECTION ACTIVITY

Mr. Reporter, will you insert, at this point, page 89, "Commodity inspection."

(P. 89 follows:)

Commodity inspection

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$183,600	11.2	20.0	31.2
Change	+135,700	+1.8	+21.2	+23.0
1953 estimate	319,300	13.0	41.2	54.2

HIGH-LIGHT STATEMENT

Specified quality and other characteristics in commodities delivered is assured by lot inspections, plant inspections, laboratory analyses, and examination and analysis of samples. Inspection of excess personal property, principally equipment, are made to determine condition, usability, and other factors necessary to effect utilization transfers to requisitioning agencies.

Performance under this activity is closely integrated with the decentralization and expansion of the Federal schedule purchasing program discussed under the "Purchasing" activity. Modest programs were initiated in a few regional offices during 1951 to inspect contractors' facilities on a regular periodic schedule and to foster the utilization of excess property by inspections designed to determine the condition, usability, etc., thereof. The program for 1952 provides for a gradual extension in service as inspection techniques are developed. The estimate for 1953 provides for regular periodic inspections at principal sources of supply and a greater proportion of excess property, to speed up utilization.

Tests on samples submitted by bidders prior to award of Federal schedule contracts, and the display and handling of samples, are expected to increase as the result of the decentralization and expansion of purchasing.

Summary cost of activity by work components

	1951	1952	1953
Programs:			
(a) Inspections (facilities)	$10,860	$19,258	$71,376
(b) Inspections (excess property)	240	29,985	48,275
(c) Tests	23,290	52,670	94,624
(d) Samples	12,380	10,367	23,814
(e) Inspection coordination	63,271	67,820	75,711
Share of Service Administration	2,458	3,500	5,500
Total cost	112,499	183,600	319,300

JUSTIFICATION OF PERFORMANCE

The five functions of this activity are not performed concurrently and are not susceptible to measurement by the same workload, accordingly each will be discussed separately.

Program and performance

	1951	1952	1953
(a) Inspections (facilities):			
Units on hand beginning of year	400	765	1,632
Units on hand end of year	765	1,632	7,411
Total units performed	631	1,232	4,385
Unit cost	$17.21	$15.63	$16.28
Performance cost	$10,860	$19,258	$71,376

National Archives and Records Service

Mr. Thomas. Let's go over to the National Archives.
Mr. Reporter, at this point in the record, will you insert page 100?
(P. 100 follows:)

SUMMARY

Programs in connection with Federal records management, such as custody of the permanent National Archives, custody and servicing of semipermanent records, surveillance over records management programs of Government agencies, and related functions are performed by the National Archives and Records Service.

The programs under the National Archives and Records Service correspond to the activity breakdown of the budget estimate for "Records management," "Records centers," "Microfilming," "National Archives," "Federal Register," and "Franklin D. Roosevelt Library." Detailed estimates for each of the activities of this Service financed from the "Operating expenses" appropriation follow in that order .

The appropriations available for the National Archives and Records Service in fiscal years 1951 and 1952 were insufficient to permit completion of GSA's organization for records management in the Federal Government contemplated in Public Law 152, Eighty-first Congress, and the Federal Records Act of 1950, Public Law 754, Eighty-first Congress. Comprehensive records programs are still lacking in three of the ten GSA regions. Since maximum economy and efficiency in the handling of the Government's records cannot be achieved until the program is operating on a Government-wide basis, the estimate for 1953 provides for completion of the organization. The estimate also includes capital expenditures of funds for shelving and other equipment essential to the operation of the regional records centers. When these capital expenditures have been completed the fund requirements for records management and records centers will level off.

Workloads in the National Archives, the Federal Register, and the Franklin D. Roosevelt Library result in large part from demands for service from other Government agencies and the public. These demands will increase in 1953. Within the fund limitations of this estimate they can be met only by deferring controllable work and, to the extent possible, by improved procedures. No progress in preservation of the large collection of valuable but rapidly deteriorating motion-picture film can be undertaken within the funds requested in this estimate. Similarly the estimate for a full-scale microfilming program has been deferred. Funds for this activity have been held to the level of the 1952 pilot-project.

RECORDS MANAGEMENT ACTIVITY

Mr. Thomas. Let's look at your records management.
In 1952 it was $380,000; in 1953 you ask for $400,000.
In 1952 there were 53 jobs; in 1953 you ask for 58.
Mr. Reporter, will you insert page 104 in the record?
(The information referred to follows:)

Records management

	Amount	Average employment		
		Departmental	Field	Total
1952:				
Program	$380,000	28	25	53
Change	+20,000		+5	+5
1953 estimate	400,000	28	30	58

HIGH-LIGHT STATEMENT

The establishment and improvement of records management practices in Feedral agencies in Washington and the field is the objective of this activity. This objective is achieved through on-site surveys, the promulgation of Government-wide policies, regulation, procedures, instructions, and the furnishing of advice and technical assistance. Performance for 1953 proposes continuation at substantially the 1952 level, with emphasis on clearing out accumulations of old records, bringing remaining records under control, and improving methods for creating and maintaining records.

Program and performance (not susceptible to average work units)

	1951	1952	1953
(a) Surveys and technical assistance	$124,641	$214,800	$237,050
(b) Regulations and standards	20,210	82,478	82,518
Share of service administration	48,690	82,722	80,432
Total cost	193,541	380,000	400,000

JUSTIFICATION OF PERFORMANCE

Federal records at the end of 1951 amounted to 23.5 million cubic feet, of which 22 million cubic fee were in the various agencies and 1.5 million cubic feet in the National Archives and the regional records centers. Additional records are being created at an accelerated rate of 3.4 million cubic feet a year because of the defense program. Despite an increase in the disposal rate from 1 million cubic feet in 1950 to 2.1 million cubic feet in 1951, records are still being accumulated in much greater volume than they are being eliminated. If the present situation continues unchecked, 1.3 million cubic feet—over 185,000 filing cabinets full of records—will be added to Government holdings each year. The cost of these additional filing cabinets will exceed $9 million, and the space they will occupy will cost at least $2 million to rent and maintain.

To reverse this trend and decrease the quantity of Federal records, thereby avoiding these additional costs, is the prime objective of GSA's records management program in 1952 and 1953. Various means are being used to attain this objective:

(1) Surveys of agency records management programs to appraise and improve their effectiveness, particularly in the elimination of unnecessary records;

(2) Provision of technical assistance to agencies in controlling the creation, maintenance, and disposition of records; and

(3) Development of records management regulations and standards, which will be discussed in subactivity (*b*).

Mr. THOMAS. You say that:

Federal records at the end of 1951 amounted to 23.5 million cubic feet, of which 22 million cubic feet were in the various agencies and 1.5 million cubic feet in the National Archives and the regional records centers. Additional records are being created at an accelerated rate of 3.4 million cubic feet a year because of the defense program. Despite an increase in the disposal rate from 1 million cubic feet in 1950 to 2.1 million cubic feet in 1951, records are still being accumulated in much greater volume than they are being eliminated. If the present situation continues unchecked, 1.3 million cubic feet—over 185,000 filing cabinets full of records—will be added to Government holdings each year. The cost of these additional filing cabinets will exceed $9 million, and the space they will occupy will cost at least $2 million to rent and maintain.

In other words, it all adds up that you will never catch up with the agencies. The agencies produce more records than you can get over to your shop.

Mr. GROVER. I am afraid that is correct.

Mr. THOMAS. What is the answer to your problem, then?

Mr. GROVER. Under the scheduling program under the records management activity, we hope to have all records of the Government under control; that is, to make disposition instructions on them by the end of fiscal year 1954. By that time we expect, also, that the intake and the outgo in these records centers will just about equal each other, so we will be able to keep up with or a little ahead of records production unless there is an all-out war.

RECORDS CENTERS ACTIVITY

Mr. THOMAS. At this point in the record, Mr. Reporter, insert all of page 109, "Records centers."

(P. 109 follows:)

Records centers

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$2,200,545	5	393	398
Change	+1,375,455		159	159
1953 estimate	3,576,000	5	552	557

HIGH-LIGHT STATEMENT

Records of other agencies which must be retained for limited periods but are not needed for constant current reference are brought into and retained in records centers until disposal can be effected. In 1951 four regional records centers were established and 601,463 cubic feet of records administered; in 1952 three more regional records centers were established, making a total of seven, which will administer some 1,203,000 cubic feet of records, and a Federal records center for separated civilian personnel records at St. Louis was transferred from the Department of Defense to General Services Administration. In 1953 it is proposed to establish regional records centers in the three remaining GSA regions. This will make a total of 10 (1 in each GSA region) to administer an estimated 1,876,000 cubic feet of records and to render an estimated 1,350,000 reference services on separated civilian personnel records.

This activity comprises two work components which are measurable in different work units. The activity, therefore, is divided into the programs indicated below for the purpose of more clearly estimating and justifying its performance requirements, each of which is discussed separately on the following pages.

Summary cost of activity by work components

	1951	1952	1953
Programs:			
(a) Regional records centers	$1,016,457	$1,503,619	$2,533,670
(b) Civilian personnel records center		[1] 621,445	957,000
Share of service administration	41,692	75,481	85,330
Total cost	1,058,149	2,200,545	3,576,000

[1] Represents only 8 months' cost of operation, from Oct. 28, 1951, when activity was transferred to General Services Administration.

(a) Regional records centers.—

Program and performance

	1951	1952	1953
Performance in work units: Cubic feet of records administered	601,463	1,203,000	1,876,000
Unit cost: Per cubic foot administered	$1.17	$1.21	$0.997
Performance costs:			
Operating cost	$703,712	$1,453,619	$1,870,770
Capital outlay	312,745	50,000	662,900
Total cost	1,016,457	1,503,619	2,533,670

Mr. THOMAS. You started three last year and you operated three new ones on a 5-month basis.

Mr. GROVER. About a 6-month basis.

Mr. THOMAS. How much will it take this year on those three on a full year's basis?

Mr. GROVER. That will be about $350,000, I think, Mr. Chairman.

Mr. THOMAS. $362,000?

Mr. LARSON. In addition to the cost during part of this year.

Mr. THOMAS. Turn to the table on page 19, "Annualization of Personnel Records Center operation." That is the one you got from the Army. That is $312,755. Annualization of three records centers set up during 1952 is $362,700.

So that is approximately $700,000, there. You want to establish three additional regional records centers at a cost of $700,000 more; is that correct?

Mr. GROVER. That is correct.

Mr. THOMAS. You will have 10, then, plus 1, which makes a total of 11, and at a total cost of how much?

Mr. GROVER. $3,576,000.

Mr. THOMAS. $3,576,000; is that correct?

Mr. GROVER. Yes, sir.

DEMONSTRABLE SAVINGS

Mr. THOMAS. 557 employees against 398 employees.

I have been trying to find out about your savings. Last night I marked this paragraph. Let's read it over again:

> The economy resulting from moving records from agencies to the regional records centers has been confirmed by actual experience. During 1951 (the first year of operation) the transfer of records to the centers released 520,000 square feet of space of which 245,000 square feet was office space with an average annual cost of $2.29 a square foot for rent and maintenance, or $561,000, the remaining 275,000 square feet released being storage space with an average annual cost of $1.25 a square foot, or $344,000. These space savings total $905,000, compared with the cost of $82,000 for maintaining records center space.

What about your salary cost, the cost of moving, what about 180,000 filing cases that you emptied? What happened to those? Put your finger on wherein the agencies they took advantage of that space. It was paying $2-plus per square foot for that.

Mr. GROVER. Mr. Chairman——

Mr. THOMAS. Don't tell us the Bureau of the Budget is attending to that matter, because we deal with the Bureau of the Budget and we find them not cutting anything.

Mr. LARSON. So far as the space is concerned, that was utilized by Public Buildings as additional space required to house defense and defense-related employees.

Mr. THOMAS. Come again on that now?

Mr. LARSON. I say the Public Buildings Service utilized it to house people employed under the emergency defense operations.

Mr. THOMAS. I have given you an out; but since you won't take responsibility, where in your Public Buildings budget can you point your finger on that saving?

Mr. LARSON. It is reflected in the fact that we did not rent as much space under "Emergency operating expenses" as we otherwise would have rented if we had not had this space.

Mr. THOMAS. That is an assumption.

Mr. LARSON. That is not an assumption.

Mr. THOMAS. You merely show here that by further utilization of this space you could have saved so much money, the difference between 82 cents a square foot, which you pay for space in your records center, and $2.29 a square foot paid by the agencies. It doesn't show that the agencies actually gave up that much space, not by a jug full.

Mr. GROVER. We can give you a list, building by building, showing just where the space was released.

Mr. THOMAS. Now you are talking about what we want to hear.

Mr. GROVER. It will be a long list.

Mr. THOMAS. Read off a few of them.

Mr. GROVER. I do not have that list, but I would like to read off a few agencies on filing equipment which you brought up this morning, Mr. Chairman.

Mr. LARSON. Mr. Chairman, we can show where we utilized that space, and we will furnish it for the record.

(The information above referred to is as follows:)

Reassignable space released by transfer of records to Federal records centers, fiscal year 1951 (blocks of less than 100 square feet omitted), region 2 New York, office space

	Square feet
Agriculture:	
Bureau of Entomology and Plant Quarantine: 503 Main St., East Orange, N. J	800
Production and Marketing: Federal Bldg., 641 Washington St., New York City	6,000
Justice:	
Bureau of Prisons: Federal Detention Headquarters, 427 West St., New York City	385
Immigration and Naturalization:	
73 Tremont St., Boston, Mass	1,071
220 Delaware Ave., Buffalo, N. Y	252
Post Office Bldg., Chicago, Ill	777
Federal Bldg., Cleveland, Ohio	665
3770 East Jefferson, Detroit, Mich	1,106
Post Office Bldg., Hartford, Conn	427
United States Courthouse, Kansas City, Mo	182
3915 Biscayne Blvd., Miami, Fla	252
1539 Jackson Ave., New Orleans, La	119
70 Columbus Ave., New York City	2,758
5th and Chestnut, Philadelphia, Pa	1,330
New Federal Building, Pittsburgh, Pa	560
Post-office building, Providence, R. I	133
New Federal Building, St. Louis, Mo	231
Post-office building, Springfield, Mass	112

Reassignable space released by transfer of records to Federal records centers, fiscal year 1951 (blocks of less than 100 square feet omitted), region 2 New York, office space—Continued

	Square feet
Federal Security Agency: Bureau of Federal Credit Union, 721 Chestnut St., Philadelphia, Pa	84
General Services Administration:	
Federal Supply Service, 250 Hudson St., New York City	646
Liquidation Service:	
Lafayette Building., 5th and Chestnut, Philadelphia, Pa	10,530
250 Hudson St., New York City	730
Housing and Home Finance Agency: Home Owners' Loan Corporation 2 Park Ave., New York City	2,022
Railroad retirement, 341 9th Ave., New York City	1,526
Reconstruction Finance Corporation: New York Loan Agency, 44 Pine St., New York City	749
United States courts:	
District of New Jersey, Trenton, N. J	800
District of Rhode Island, Providence, R. I	450
Southern District of New York, U. S. Courthouse, Foley Square	245
Total	34,942

NOTE.—Approximately 23,000 square feet included in these totals were released during fiscal year 1950, when this center was a "pilot" operation.

SPACE UTILIZATION

Mr. THOMAS. What I am getting at, Mr. Larson, is transferring records from one office to another doesn't amount to a hill of beans except that the Government pays the moving costs, unless utilization is made of that high-priced space, and it is utilized for something else or given up. Knowing a little bit, as we do, about the agencies, we know they never give up anything.

Mr. LARSON. As Mr. Reynolds explained to you yesterday, we are squeezing down the total space per capita to 90 square feet per person. We have it down to a hundred in the District of Columbia. We are squeezing it down to 90. That is a part of the over-all space utilization.

Mr. THOMAS. Perhaps that is one of the best activities under "Public buildings and grounds." How much authority under the law does "Public buildings and grounds" have to do with that squeezing process and that fanning-out process?

Mr. LARSON. We don't have any authority so far as telling people they have to mark out 100 square feet and sit in it. But we do have control over the funds.

Mr. THOMAS. You don't have authority to go to an agency and say, "You don't need 5,000 square feet, or 2,000; you need 1,500." You don't have that authority.

Mr. LARSON. No; we do not have that authority to tell them what they need as far as space is concerned, but we have the authority to assign to them the amount of space that we think they should have. They do not have any authority to get any more unless they get Congress to give it to them.

Mr. THOMAS. You say you do not have the examples there with you, Doctor?

Mr. GROVER. On a building-by-building basis, I do not, but I do have a list of agencies from which records have been transferred, showing the total number of square feet.

RECOVERY OF FILING CASES

Mr. THOMAS. What about these filing cabinets? In addition to the savings of leased space, you say you hope it is released, but you don't know whether it is released or not, do you? You say the four records centers released 180,000 filing cabinets for reuse. What became of those?

Mr. GROVER. I have a detailed list of those.

Mr. THOMAS. At the end of 1951 that jumped up to 35,000. I think I saw a figure that it was 180,000.

Mr. GROVER. By the end of 1953——

Mr. THOMAS. What will happen?

Mr. GROVER. 180,000 will be released.

Mr. THOMAS. 180,000?

Mr. GROVER. Yes, sir. Assuming we get the shelving for the centers. I think these charts and these pictures show very graphically and simple what the economy is. It is not simply a matter of moving records from one agency to GSA. It is a matter of moving the records into less expensive space, stacking them up higher in that space so your space utilization is much more economical and putting them in less costly containers.

Mr. THOMAS. We don't quibble with you on that basis. Theoretically the idea is perfect, fool proof, if you get the agencies from whom you got the records to give up a certain amount of space where the records formerly were kept. So we don't argue about that.

Mr. GROVER. Yes, sir. When agencies come for appropriations on filing cabinets, you can help us by telling them to put the semi-permanent records in the centers, and they won't need any filing cabinets.

Mr. THOMAS. I think you have a good point there.

CENTER FOR RECORDS OF SEPARATED PERSONNEL

What about your civilian personnel records from the War Department?

The transfer of records of the separated civilian personnel of the Departments of the Army and the Air Force to the General Services Administration was effected October 28, 1951. This records collection totaled some 21,000 filing cabinets containing approximately 9.5 million files. To carry on the work program of this function for the rest of the year, funds amounting to $518,187 were transferred to this Administration.

What will it cost you in 1953 to carry it on?

Mr. GROVER. $957,000, which was approximately the annual cost to the Army and Air Force alone. We will centralize the same type of files of other agencies, an additional work load of about 20 percent, and carry on without any increase in our present cost.

VOLUME OF RECORDS TRANSFERRED

Mr. THOMAS. I think you have a good table here on page 113.

Will you insert the table on page 113 in the record, Mr. Reporter?

(The information is as follows:)

The following table reflects the volume of records transferred (or being transferred from departments and agencies), the annual cost and position equivalents in Government agencies, and the GSA budgeted cost for 1953.

Department or agency	Transferred		Annual cost in agencies		GSA budget cost 1953
	Cabinets	Files	Average positions	Cost	
Army and Air Force	21,000	9,500,000	257	$935,000	
Navy	8,200	2,500,000	28	110,000	
Veterans' Administration	700	300,000	4	13,200	
Miscellaneous and defunct agencies (now in the National Archives)	1,500	700,000	8	22,000	
Agriculture	1,000	400,000	4	13,200	
Commerce	800	360,000	2	6,600	
Treasury	750	320,000	2	6,600	
Post Office	1,000	415,000	4	13,200	
Federal Security	500	285,000	1	3,200	
Other Federal agencies	2,000	820,000	8	22,000	
Total	37,450	15,600,000	318	1,145,000	[1] $957,000

[1] 258 positions.

The estimate of the number of services which will be provided on separated civilian personnel records during 1953 is based on the number actually rendered in 1951 and 1952 by the agencies from which these records were transferred and by this Administration during the current fiscal year.

Mr. GROVER. On a centralized basis we think that can be done with 60 positions less than it is being done today throughout the Government, and we list the agencies involved.

Mr. THOMAS. You don't know what has become of all these filing cabinets?

Mr. GROVER. The filing cabinets on the civilian personnel records are at St. Louis. They are being used.

Mr. THOMAS. By whom?

Mr. GROVER. By ourselves, GSA. These civilian personnel files are very active records. There are 1,500,000 calls per year on them, and we cannot store them the same way we would the less active records in the regional records centers. We have to put them in drawers which will pull out. We are substituting transfer cases and cheaper filing cabinets wherever possible.

Mr. THOMAS. What makes the file active? The FBI?

Mr. GROVER. Yes, sir; in part.

Mr. THOMAS. Reemployment again in the armed services?

Mr. GROVER. Rehiring in the Army accounts for about 45 percent, 11 percent for FBI inquiries——

Mr. THOMAS. What you save is the difference in the cost of the rental space?

Mr. GROVER. That and the difference between a more economical integrated operation and a dispersed operation. These files have been in about 2,000 locations all over the United States and the Government wastes money in correspondence trying to locate some of these files; although we cannot compute this in dollars and cents as a saving, it is tremendous. To get the files in one place is a more efficient and economical operation.

SUPPLIES AND MATERIALS

Mr. THOMAS. I notice you have quite a bit of money for supplies and materials.

Mr. GROVER. That is for shelving in the records centers.

Mr. THOMAS. $408,480.

Mr. GROVER. About $600,000 of the increase is for capital equipment in the centers.

MICROFILMING ACTIVITY

Mr. THOMAS. What about your microfilming here, $55,000, 15 jobs? How is that turning out?

Mr. GROVER. We are getting the cost down on that, but it is still a very small-scale operation.

Mr. THOMAS. Is it going to turn out to be worth while?

Mr. GROVER. It is worth while now; yes. But if it were expanded five times, it would be more worth while so far as eating into the bulk of the records are concerned, but we haven't been able to finance a full-scale program.

Mr. THOMAS. I remember that you gave some unit costs here.

Mr. GROVER. Per cubic feet.

Mr. THOMAS. Where is that?

Mr. GROVER. Page 116.

Mr. THOMAS. Insert page 116 in the record.

(P. 116 follows:)

Microfilming

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$55,000		15	15
Change				
1953 estimate	55,000		15	15

HIGH-LIGHT STATEMENT

The objective of this activity is to reduce space required to store valuable paper records by converting them to compact microfilm form and destroying the paper originals. The funds requested for 1953 are approximately the same as in 1951 and 1952, and will permit only slight progress to be made in reducing the space required for permanent records that are suitable and practicable for filming.

Program and performance

	1951	1952	1953
Performance in cubic feet filmed	850	3,000	3,300
Unit cost per cubic foot filmed	$21.12	$16.72	$15.09
Performance cost:			
Operating cost	$17,949	$50,153	$49,800
Capital outlay	32,209		
Share of service administration	4,017	4,847	5,200
Total cost	54,175	55,000	55,000

JUSTIFICATION OF PERFORMANCE

Explanation of work unit.—A cubic foot of records filmed has been selected as the work unit, which includes the selection and preparation of the records for filming.

Justification of workload.—Between 150,000 and 200,000 cubic feet of records (20 percent of holdings) now in the National Archives meet the requirements for microfilming and can be filmed at an average cost of about $15 per cubic foot. The majority of records housed in regional records centers do not meet filming requirements since they will be scheduled for disposal after retention for scheduled and relatively brief periods of time.

The program for 1953 proposes that 3,300 cubic feet of records will be filmed at a cost of approximately $50,000 or $15 a cubic foot. At this annual rate of production slight progress will be made toward achieving the space savings and resultant economies inherent in a full-scale microfilm program. A comparison of the average annual storage costs of records with the estimate for filming material at the cost indicated in this estimate indicates that filming pays for itself in about 10 years, after which period the space and maintenance cost is virtually eliminated and represents a net saving.

Mr. THOMAS. I notice the unit cost per cubic foot in 1951 was $21.12, and in 1953 is $15.09.

FEDERAL REGISTER ACTIVITY

On the Federal Register you want $233,000, which is an increase of $3,000 over 1952, and you show 46 jobs as against 45 jobs in 1952.

Mr. Reporter, insert page 126 in the record.

(Page 126 is as follows:)

Federal Register

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$230,000	45.5		45.5
Change	+3,000	+.5		+.5
1953 estimate	233,000	46.0		46.0

HIGH-LIGHT STATEMENT

The daily Federal Register, the Code of Federal Regulations, the United States Government Organization Manual, the slip laws, and the United States Statutes at Large are published under this activity. This estimate deals only with normal, nondefense activities, and provides for performance in 1953 at slightly above the 1951 and 1952 levels, with estimated production totaling 25,760 pages of nondefense material.

Program and performance

	1951	1952	1953
Performance in number of pages	24,798	24,540	25,760
Unit cost per page	$8.53	$9.12	$8.80
Performance cost:			
Operating cost	$211,485	$223,690	$226,705
Share of service administration	6,125	6,310	6,295
Total cost	217,610	230,000	233,000

JUSTIFICATION OF PERFORMANCE

Explanation of work unit.—Workload is measured by the number of pages prepared for publication. Regardless of differences in the editorial techniques involved, it represents a satisfactory method of work measurement on an annual basis.

Justification of workload.—The workload of the Federal Register functions by number of pages prepared and published is reflected in the following table:

	1951	1952	1953
Federal Register	9,350	9,500	9,500
Code of Federal Regulations	9,374	10,500	11,500
U. S. Government Organization Manual	725	740	760
Slip laws	1,926	2,500	2,300
Statutes at large	3,423	1,300	1,700
Total number of pages	24,798	24,540	25,760

These are continuing services and because of rigid publication deadlines, as in the case of the Federal Register and the ship laws, backlogs cannot be permitted. All services are current. Over all, the proposed performance for 1953 will be substantially the same as in 1952 for all pre-Korean aspects of the program.

Justification of unit cost.—Increased operating efficiency in the application of new editorial and printing techniques introduced in the Code of Federal Regulations and the Statutes at Large reflects a reduction in unit costs to the extent that the unit cost in 1953 approaches that attained in 1951, despite the pay act increases.

ROOSEVELT LIBRARY ACTIVITY

Mr. THOMAS. What about the Roosevelt Library? I notice you want a little increase here, 16 jobs in 1953 as against 14.5 in 1952, at a cost of $77,000 as against $68,200.

Insert page 129 in the record.

(Page 129 follows:)

Roosevelt Library

	Amount	Average employment		
		Departmental	Field	Total
1952 program	$68,200	14.5		14.5
Change	+8,800	+1.5		+1.5
1953 estimate	77,000	16.0		16.0

HIGH-LIGHT STATEMENT

Manuscripts, books, prints, paintings, films, and other historical materials received from Franklin D. Roosevelt and acquired from his contemporaries are cataloged, preserved, and serviced at Hyde Park, N. Y. Acquiring historical material, processing the holdings in custody, and preparing museum exhibits will continue in 1953 at substantially the 1951 and 1952 level. However, continuing increased demands by research scholars and others for material contained in the Roosevelt papers, opened to the public in March 1950, will result in a 10-percent increase in the reference service workload in 1953.

Program and performance (not susceptible to average work units)

	1951	1952	1953
Performance cost	$64,182	$63,820	$72,605
Share of service administration	4,125	4,380	4,395
Total cost	68,307	68,200	77,000

JUSTIFICATION OF PERFORMANCE

The Franklin D. Roosevelt Library was established as a depository for the historical material presented by the late President Roosevelt and other persons and organizations that played a significant role in national affairs in the period 1910–45. The collections are preserved, arranged, cataloged, and displayed by the library staff, which also services the material to the general public as well as to scholars and writers.

Justification of workload.—The proposed performance for 1953 as compared with 1951–52 is as follows:

Acquisition.—In 1953 the library will continue to acquire personal papers and other historical materials.

Processing.—About 60 percent of the some 55,000 books, photographs, sound recordings, and museum items in custody of the library still require cataloging, arranging, or classifying. In 1953 it is proposed to process approximately 15 percent of the backlog. At this rate the processing backlog can be removed in 4 to 6 years, depending on the volume of future acquisitions.

Museum.—Preserving and relabeling the exhibit items and preparing and rearranging exhibits will be continued in 1953 at the normal levels, as in 1951 and 1952.

Reference.—The demand to use the library's resources as a result of opening a major part of the Roosevelt papers in March 1950 is shown by the increased services as follows:

	1951	1952	1953
Number of visits by searchers to the search rooms	826	850	1,000
Number of items of books, papers, and photographs furnished to searchers	10,621	12,000	12,500
Number of information services (orally or in writing)	648	1,000	1,200
Number of pages of manuscript and photographs reproduced	5,569	5,500	6,000

DECLINE IN PURCHASES OF FILE CABINETS

Mr. GROVER. On this file-cabinet situation, I have some figures here I think the committee might be interested in.

Mr. THOMAS. Yes, sir.

Mr. GROVER. In 1949 the Federal Supply Services bought 100,000 file cabinets. In 1950 that dropped to 42,000. In 1951, due to emergency agencies coming in, 73,000 were bought. This year, so far, in 1952, with the screening processes that we have instituted and which we use to check all requisitions for filing cabinets, the total purchased to date is only 4,700.

Mr. THOMAS. Why did it jump so high, about 30,000, in 1951?

Mr. GROVER. That was the year the new defense agencies were established.

Mr. THOMAS. What became of those that were screened out the year before?

Mr. GROVER. The screening had just been started. This program was started 6 months ago, the screening program.

I think it is a very effective type of control over these filing cabinets.

Mr. THOMAS. What do those cabinets cost on the average?

Mr. GROVER. $50 today.

Mr. THOMAS. They are pretty hard to get, too, aren't they?

Mr. GROVER. Steel cabinets are very hard to get.

The Administrator put out a personal property regulation which is very stiff insofar as the screening control requirements for filing cabinets are concerned.

(Discussion off the record.)

TUESDAY, FEBRUARY 19, 1952.

Mr. THOMAS. Will the committee please come to order?

STRATEGIC AND CRITICAL MATERIALS

We will take up this morning strategic and critical materials. The gentlemen from the Munitions Board are with us. We have Mr. Houston, the vice chairman for stockpile programing. It is nice to see you here again. Do you have a statement?

Mr. HOUSTON. I have a brief statement. First I would like to say, Mr. Chairman, that Mr. Small is very sorry he could not come up himself this morning, but the President is calling the first meeting at the White House this morning of a committee to prevent discrimination in the placement of contracts and Mr. Lovett has asked Mr. Small to represent the Defense Department on that committee, so he is unable to be at both places.

Mr. THOMAS. That is right, he cannot be two places at one time. He is one of the few men that I know that works 13 hours a day anyway. He is a fine individual and a great public servant. I am sorry he could not be here. Please relay the committee's best wishes to him; and we fully understand his situation.

Mr. HOUSTON. Thank you, sir.

GENERAL STATEMENT OF MUNITIONS BOARD

Mr. HOUSTON. I am sure that this committee does not need any explanation as to the purpose of the National Stockpile Act. The program in the fiscal year 1953 is the subject of this hearing. You gentlemen have handled the program since the establishment of the General Services Administration and the transfer of stockpile procurement and custody from the Treasury Department to that Administration.

Largely by virtue of adequate financing of the program in the fiscal years 1951 and 1952 it has been possible to make better progress than previously. However, the demands of the present mobilization program and of the civilian economy coupled with the lack of corresponding increases in domestic production and imports has in many instances cut into the rate of stockpile acquisition.

The agencies charged with the control over materials are constantly faced with making decisions between accelerated stockpiling and support of the current economy, so that accelerated stockpiling will not too greatly affect the current consumption of major materials to the point where widespread unemployment or business failures might result.

Consequently, stockpiling has been curtailed in many instances. In a few cases this policy has actually resulted in the withdrawal of materials already in the stockpile. However, these so far have been limited to aluminum, copper, lead, and zinc, all of which come predominantly from domestic production and hence are not quite so strategic as some other things such as rubber and tin.

UNOBLIGATED BALANCE FROM 1952

Because of these conditions General Services Administration probably will carry over from fiscal year 1952 into 1953 a sizable unobligated balance of present funds. According to the budget estimate, this would be about $740 million. However, I believe that it may be less than this, based on the present unobligated balance and the current rate of new obligations. This high estimated balance accounts for the relatively small request for new obligation authority for the purchase of materials for the fiscal year 1953, namely, $155 million.

(NOTE.—Testimony subsequently corrected to read $94 million.)

As this hearing develops, the General Services staff can no doubt tell better than I can the probable outcome of the current rate of obligation.

I want principally to point out that under a process of adequate financing during the past and current fiscal years the stockpile has progressed as rapidly as supply would permit it.

The estimate before you today is, in our opinion, a bare minimum and it provides no leeway for taking advantage of soft spots in the market.

Mr. THOMAS. Now, how do you justify that statement with your previous statement that you will have an unobligated balance of over $700 million? We want to give you every dime that you absolutely need just like we have done for the last 4 years, but if you are estimating you will have an unobligated balance of $740 million, why do you need $155 million more?

Mr. HOUSTON. Because on the basis of supplies which we believe can be procured for the stockpile during 1953 we feel that we can not only use the $740 million which is really a carry-over, although it actually may be somewhat less than that, but in addition we can use the $155 million for new purchase obligations.

(NOTE.—Testimony subsequently corrected to read $94 million.)

Mr. THOMAS. Well, let us get down to cases. What you are saying is this—well, is your statement true that you are going to have an unobligated balance of $740 million?

If you are going to have that much of an unobligated balance, why have more cash laying around? You are not in the banking business, are you?

Mr. HOUSTON. No, but for example, during the past——

Mr. THOMAS. Of course, the GSA does the obligating and they can address themselves to that point. But if your premise is that you are going to have $740 million unobligated, why add $155 million to that?

RATE OF OBLIGATION AND EXPENDITURE

Mr. HOUSTON. Well, I thought maybe these figures may give you an indication of what is going to happen and what we are suggesting in the future.

Starting with the period from July through December of 1950, there were obligated an average of $71 million per month during that 6-month period, with the expenditures being about $42 million per month.

During the period from January through June 1951 there were obligated a monthly average of about $274 million and the actual expenditures ran at a monthly average rate of about $66 million.

During July to December 1951 the average monthly obligations were $98 million and the expenditures were about $58 million per month.

Mr. THOMAS. Well, we understand that expenditures lag greatly behind obligations. We want to give you whatever you need to obligate, but there is no need to carry around in the neighborhood of $900 million unobligated. How much do you need to obligate for 1953?

Mr. HOUSTON. Well, we figure that we need somewhere around $900 million. I think that as far as the details and the figures, that you are correct, that the General Services Administration is in a better position than I am to give you the detailed breakdown.

There also appears with me Mr. Carl Rolle, who is the Assistant Vice Chairman of Stockpile Programming for the Munitions Board, who has been a member of the staff of the Munitions Board for the past several years and is thoroughly familiar with this.

MACHINE TOOLS

Mr. THOMAS. Before we go into some of those details let me ask you one question not related to the stockpiling program.

The General Services Administration in the industrial reserve has approximately 7,500 tons of machine tools and they estimated at the end of fiscal year 1953 they will have in round figures around 5,200 or 5,300 tons of machine tools.

In view of the statement that the Munitions Board has made, and Mr. Charles Wilson, the mobilizer, and others as well, and in the newspapers, that machine tools are very, very critical and that they are one of the bottlenecks not only in aircraft production but in the tank-production program, why does the Munitions Board retain in the industrial reserve 7,500 tons of machine tools?

Mr. HOUSTON. Well, the machine-tool problem is one that, as you know, is very difficult to deal with in terms of tonnages because it is a question of whether you have the right machine tool to do the particular job that you are facing in filling a production contract.

Now, of course, all of the Government agencies, that is, the three military services, and the General Services Administration who have any machine tools on hand, have been making those available to contractors for military production and a very substantial number of those tools have been placed into production lines.

Mr. THOMAS. I wonder if you will give us at this point for the record the total tonnage. Of course, the General Services Administration through the industrial reserve program only has a small part of the entire total, with the remainder of the machine tools being in the hands of each branch of the armed services. Is that correct?

Mr. HOUSTON. That is correct.

Mr. THOMAS. What is the total under the custody and direction of the Army, the Navy, and the Air Force?

Mr. HOUSTON. I would hesitate to try to quote those figures from memory, but I can get them and supply them to the committee.

Mr. THOMAS. Well, now, Mr. Houston, you have put your finger, I think very quickly, on your problem with the machine tools, and that is the type and kind that you have in the stockpile or in the industrial reserve, rather, and the type and kind that industry needs.

Does your statement boil itself down to this, that the 7,500 tons of machine tools in the industrial reserve of GSA are outmoded or out of date or the type not very much in demand?

Mr. HOUSTON. Some of them unquestionably are outmoded but we still are every day taking the machine tools out of these reserves and putting them into production lines. But I have no doubt that some are outmoded, as you say.

Mr. THOMAS. Well, the question gets itself down to this, that if machine tools are as critical as would seem to be indicated and as one would be led to believe by the remarks of industry and of Charles Wilson and others, why not get rid of these machine tools and put them to work right now rather than keep them in warehouses year after year, and charging storage and rent and so forth on them?

Mr. HOUSTON. I have no question that the day will come when we can definitely say that we have a balance of machine tools which are completely obsolete or worn out and probably will not be suitable for the types of production that we are getting into today; I don't think we have reached that point yet, but I think that there is a constant culling through of the list, of these tools and an inspection of them by contractors, and we are still able to use a considerable number, as I say, every day from them.

Mr. THOMAS. Well, now, as a matter of fact, that responsibility belongs to the Munitions Board and after all is said and done the indus-

trial reserve in the General Services Administration is no more than the warehousing for the Munitions Board with respect to these tools. Is that correct?

Mr. HOUSTON. That is correct; yes. As a matter of fact, what we in the Munitions Board have done cooperatively with the armed services and NPA is to make available to the people in NPA as well as to contractors directly, these lists of these available machine tools so that they can be utilized and if a tool can be found in a reserve, it is used in preference to having the contractor place a new order for a similar tool.

WITHDRAWALS OF MACHINE TOOLS

Mr. THOMAS. How many tools in terms of tonnage have been withdrawn in the last 18 months out of the industrial reserve?

Mr. HOUSTON. That is a figure similar to the other which, as I said before, I would hesitate to quote from memory because I can get it accurately and supply it for the committee.

(The information requested is as follows:)

Between June 30, 1950, and December 31, 1951, there was a net reduction of 54 percent in the reserve inventories of machine tools and production equipment.

Mr. THOMAS. Well, how much emphasis is the Munitions Board placing upon withdrawal of these machine tools?

Mr. HOUSTON. A tremendous amount of emphasis. We are constantly working on it.

Mr. THOMAS. Do you know the number of units in terms of tonnage of actual tools that were withdrawn, say, in the last 6 months?

Mr. HOUSTON. Again, Mr. Chairman, I hesitate to quote from memory. I would rather give you an accurate figure which I can get before the day is out.

(The information requested is as follows:)

Of the 54 percent inventory reduction mentioned previously, 26 percent took place between June 30, 1950, and June 30, 1951. The other 28 percent took place in half that length of time, from June 30 to December 31, 1951.

MACHINE TOOLS FOR INDUSTRY

Mr. THOMAS. Well, what is the Munitions Board specifically doing toward getting these tools into the hands of industry?

Mr. HOUSTON. Well, the program which I just mentioned is our principal way of getting them into the hands of the contractors who can use them.

No. 1, the Munitions Board gets the list of these tools from the services. We have a central inventory group. That central inventory group works not only directly with military contractors, but it works also with the NPA Machine Tool Division.

Mr. THOMAS. Well, how is that done? What is the detail? What is the routine? Do you circularize the contractors?

Mr. HOUSTON. Every Government contractor, every contractor who gets a military contract is told of the machine tool central inventory and is requested to examine that in connection with his tool requirements.

Mr. THOMAS. Well, now, what about industry generally, which is not fortunate enough to share in this Government business? What are you doing for those people?

Mr. HOUSTON. If the particular contractor is, let us say, on a subcontract which he does not get directly from the Government, and if he needs machine tools, he will come to the NPA and the NPA will try to get his orders placed on new production; but before doing so will check the central inventory of the military services to determine whether there is a tool or several tools which might be satisfactory for that manufacturer.

Mr. THOMAS. In other words, only those contractors and subcontractors who are doing Government business have an opportunity to participate in this industrial reserve of tools?

Mr. HOUSTON. At the present time, that is correct.

Mr. THOMAS. Why that policy now?

Mr. HOUSTON. Because it is felt that the direct military programs are the most urgent ones and if, for example, we made them generally available to the industry, we might find that we had turned over a very critical tool to a manufacturer of a product which was not nearly as urgent in the defense program as the man that might come along the following week.

Mr. THOMAS. Well, that makes sense, does it not?

BASIS OF INDUSTRY PAYMENT OF TOOLS

What price are you getting for those machine tools when you sell them?

Mr. HOUSTON. I believe that they are on a rental basis.

Mr. THOMAS. Are there any of them sold?

Mr. HOUSTON. I do not know whether any amount is sold outright or not.

Mr. THOMAS. Well, what is the policy, to rent or sell them?

Mr. HOUSTON. Generally to rent them.

Mr. THOMAS. Well, what fees do you get for your rent compared with your acquisition cost? Does it have any relationship to the replacement value or is it based on the acquisition cost of some 10 years ago?

Mr. HOUSTON. Again, I am not enough of an expert on that particular problem to tell you, but I will get the information for you.

(The information requested is as follows:)

Tools are rented out at the rate of 1 percent of original cost per month. Where tools have been modified while in the reserve the original cost is amended by the estimated value of the modifications. This rent is either collected in cash or by deduction from payments due on contracts.

STOCKPILING

Mr. THOMAS. We are turning now to stockpiling.

The reporter will insert at this point pages 1 and 2. But, first, is there anything confidential in this, even though you have marked it "Confidential," about pages 1 and 2? What do you think about that, Mr. Larson?

Mr. LARSON. I hasten to say that I do not like to classify material any more than that which has to be.

(Discussion off the record.)

I guess it is all right to do that.

(Pp. 1 and 2 are as follows:)

ESTIMATE OF APPROPRIATION, 1952

STRATEGIC AND CRITICAL MATERIALS

Appropriation language

For necessary expenses in carrying out the provisions of the Strategic and Critical Materials Stockpiling Act of July 23, 1946, including services as authorized by section 15 of the Act of August 2, 1946 (5 U. S. C. 55a), [$790,216,500] *and the purchase of not to exceed five passenger motor vehicles for replacement only, $225,000,000,* to remain available until expended, of which [$200,000,000] *$70,000,000* is for liquidation of obligations incurred pursuant to authority heretofore granted under this head: *Provided,* That any funds received as proceeds from sale or other disposition of materials on account of the rotation of stocks under said Act shall be deposited to the credit, and be available for expenditure for the purposes of this appropriation: *Provided further,* That during the current fiscal year, there shall be no limitation on the value of surplus strategic and critical materials which, in accordance with subsection 6 (a) of the Act of July 23, 1946 (50 U. S. C. 98e (a)), may be transferred to stockpiles established in accordance with said Act.

General statement

The acquisition and stockpiling of raw materials of strategic and critical importance for supplementing the natural resources of the Nation and other dependable sources in order to meet the need of industry in the manufacture of supplies for the Armed Forces and the national economy in a time of national emergency was initially authorized by Public Law 117, Seventy-sixth Congress (53 Stat. 811).

Shortages of such materials during the Second World War accentuated the need for substantial stockpiling. This gave rise to the Strategic and Critical Materials Stock Piling Act of 1946, Public Law 520, Seventy-ninth Congress, which authorized continuation of the stockpiling program on a vastly greater scope.

Under the program, determinations of the kind, quality, nature, and quantity of materials are made by the Munitions Board of the Department of Defense, although the actual accomplishment of these determinations is limited by the funds made available for this program by allowances recommended by the Bureau of the Budget and congressional appropriations.

The functions of acquisition and custody of the stockpile, in conformance with determinations of the Munitions Board, are the responsibility of the General Services Administration, Emergency Procurement Service.

Program to date

Appropriations to date for strategic and critical materials have totaled $4,963,764,870, of which $26,000,000 has been authorized for transfer to the appropriation "Operating expenses, General Services Administration" for the reactivation of certain industrial plants. Authority for this transfer is contained in the Supplemental Appropriation Act, 1951, and the Third Supplemental Appjropriation Act, 1951. In addition, $155,000,000 for contract authorization remains to be covered by liquidating appropriations. This, plus actual rotation receipts of $134,597,651 as of November 30, 1951, makes a total net obligational authority of $5,227,362,521. As of November 30, 1951, the unobligated balance was $1,074,928,235.

The estimate in general

This estimate is presented at this time in conformance with the request of the Bureau of the Budget that the stockpiling program be included in the budget for 1953. Under existing conditions it is difficult to arrive at precise stockpile requirements so far in advance. The size of the 1953 estimate, insofar as the purchase of materials is concerned, is controlled not only by the procurements which can be made in that year but also by the unobligated funds which will remain available for use at the close of 1952. The estimate herein results from discussions with interested agencies of the Government to determine what materials might be taken from the markets. Any increase in the rate of acquisition

during 1952 would decrease the estimated 1952 unobligated balance below $740,000,000.

The estimate as presented herein provides for additional appropriated funds of $225,000,000 of which $94,194,000 is for the purchase of materials, $14,000,000 is for rotation of materials, $46,806,000 for other costs such as storage and handling, construction, and so forth, and $70,000,000 for the liquidation of contract authorizations previously granted under which materials of like cost will be delivered and paid for in 1953. This estimate takes into consideration an estimated unobligated balance of prior year authorizations on June 30, 1952 of $740,000,000.

The estimate sets forth prospective action in the form of contracts to be entered into within purchase directives prescribed by the Munitions Board. Two forms of allocation have an effect on resulting deliveries. DPA, which in a number of instances has offered to assist in endeavoring to have contract delivery schedules met, also makes allocations to the stockpile in the form of limitations on deliveries from existing contracts which have the effect of postponing inventory accessions. Allocations are also isued by the International Materials Conference.

Mr. THOMAS. You are seeking an appropriation for the fiscal year 1953 for stockpiling $225 million, of which $70 million is to liquidate prior year contract authorizations. Certainly there is nothing in your program to date that is confidential, is there?

Has the money been appropriated?

Mr. WALSH. Dollarwise; no.

Mr. LARSON. Dollarwise; no. In quantity——

Mr. THOMAS. All right. Now, the total for the program, the appropriations total $4,963,764,870, of which $26 million has been authorized for transfer to the appropriation "Operating expenses." In addition, $155 million for contract authorization remains to be covered by liquidating appropriations.

This plus actual rotation receipts of $134,597,651 as of November 30, 1951, makes a total net obligation authority of $5,227,362,521.

So you have reduced that amount by $70 million and added $155 million to it for 1953.

That is your general financial picture.

MATERIALS

We would like to talk about some of these materials.

Tell us about copper.

COPPER

Mr. WALSH. On copper, in February of 1951 we cut back the amount of copper going into stockpile from 18,000 tons a month to 10,000 tons a month.

That continued until May of 1951 and then we began to curtail, instead of getting 30,000 tons in June in the schedule, we took only 22,750 tons.

Since July of 1951 we have not taken any copper into the stockpile at all. It has been all diverted into industry.

Mr. THOMAS. That is what date, now?

Mr. WALSH. July 1, 1951. It has all been diverted to industry in accordance with directives issued by NPA.

In addition to that, there have been 55,000 tons taken out of the stockpile.

Mr. THOMAS. As of January 1, 1952, how much does that leave you in the stockpile all told?

(Discussion off the record.)

Mr. THOMAS. What number of tons did you use in 1951?

Mr. WALSH. The industry use?

Mr. THOMAS. Industry and Government.

Mr. WALSH. That I do not know, sir.

Mr. THOMAS. Well, normally on the peacetime consumption, what do we use a year in copper?

Mr. HOUSTON. Approximately 1,500,000.

Mr. THOMAS. What did you use in 1944 under wartime conditions?

Mr. ROLLE. About 1,750,000.

(Discussion off the record.)

ALUMINUM

Mr. THOMAS. What about aluminum?

Mr. WALSH. The flow of aluminum to the stockpile has decreased; it has been diverted into industry. In addition to that, we are releasing some from the stockpile into industry.

Mr. THOMAS. As of what date did you stop stockpiling aluminum?

Mr. WALSH. The first diversion of that was during the month of October 1951.

Mr. THOMAS. How much did you take out of the stockpile for industry about that time?

Mr. WALSH. Twenty-two million pounds. We are taking out in the fourth quarter——

Mr. THOMAS. Well, now, how much do you have in the stockpile, say as of January 1 of this year, or some recent date?

(Discussion off the record.)

Mr. THOMAS. How many tons did we use in 1951, Government and industry?

Mr. HOUSTON. It is around 600 million pounds a quarter, so that would be about 1,200,000 tons; about 100,000 tons a month, roughly.

(Discussion off the record.)

Mr. WALSH. The NPA is controlling the use of it.

Mr. THOMAS. Well, you have got some additional plant capacity coming into production in the calendar year 1952. Maybe that accounts for it.

Mr. WALSH. I do not know what that extra net production is going to be.

Mr. LARSON. About 350,000 tons capacity will be in about the early part of 1953, additional capacity over what existed in 1951.

Mr. THOMAS. How much tonnage will you actually produce in the new plant capacity in 1952? Do you have a rough estimate of that?

Mr. LARSON. About 200,000 tons.

Mr. THOMAS. And a total additional capacity of around 350,000?

Mr. LARSON. That is right.

Mr. THOMAS. Well, what is your plant capacity, say, for January 1, 1952? How many tons a year?

Mr. LARSON. About 800,000 tons.

Mr. THOMAS. Well, that will give you a surplus, then, beginning in 1953 of about a couple hundred thousand tons a year, does it not?

Mr. LARSON. Surplus?

Mr. THOMAS. Yes.

Mr. LARSON. You mean that will not be usable?

Mr. THOMAS. Well, on the basis of your 1951 consumption.

Mr. LARSON. Well, the 1951 consumption has been curtailed about 70 percent insofar as civilian needs are concerned.

Mr. THOMAS. Well, that is what I mean, on your present curtailment program you will have a surplus of about 200,000 back to John Public.

Mr. LARSON. Well, I doubt if it will run that high because military requirements are going to increase in that period.

Mr. THOMAS. How many plants do you have to produce this hoped-for 350,000 tons?

Mr. LARSON. Well, when they all get into operation there will be three major plants, three with 100,000 tons each.

Mr. THOMAS. I thought you had more than that. I thought you had five.

Mr. LARSON. The others are smaller plants; in addition, the Jones Mills plant and in addition to the Alcoa plant and the three present producers have 100,000 tons each.

Mr. THOMAS. Well, with that schedule of production then the civilian economy is going to be cut as far as I can see now under the present plans between 50 and 60 percent of its normal consumption, is it not?

Mr. LARSON. It is cut more than that now.

Mr. THOMAS. I am talking about the 350,000 additional tons of production.

Mr. LARSON. I cannot answer that, Mr. Chairman. It depends on what the military program is at that time and, of course, it is not within the responsibility of our Administration. That is fixed by NPA.

Mr. THOMAS. Well, on the basis of military requirements of consumption and usability of aluminum as of today, in 1953 John Public will be reduced, on that hypothesis, at least 50 or 55 percent of his normal consumption, will he not be?

Mr. LARSON. Well, I cannot say what he will be. Today he is reduced between 60 and 70 percent of his base consumption.

Mr. THOMAS. Well, it all adds up to this: Assuming that the war effort does not increase, and if it should increase he certainly is going to be shy many more hundreds of thousands of tons of aluminum, if he gets any at all.

Mr. LARSON. Well, there is additional expanding capacity of another 150,000 tons.

Mr. THOMAS. Well, that will come into production when?

Mr. LARSON. That will come in about 1954.

Mr. THOMAS. Well, that still is not enough to meet the needs of John Public, is it?

Mr. LARSON. That I cannot say, Mr. Chairman. That is 500,000 tons capacity above what it was in December of 1950, and in December of 1950 it was about 750,000 tons. It is about 1,200,000 tons capacity a year.

Mr. THOMAS. Well, how many tons did the civilian and military economies use before the Korean war, the year immediately preceding that?

Mr. LARSON. They used about 600,000 tons a year, I think.

Mr. THOMAS. More than that, was it not?

Mr. HOUSTON. Well, you see, Mr. Chairman, when we deal with tons of production here, it is different from tons of consumption because you have your secondary, in other words, your scrap. So when you say your consumption of aluminum from the producing plant was between 600,000 and 700,000 tons in the year prior to Korea there was actually more aluminum put into production because of the secondary material.

Mr. LARSON. And also there are the imports; from Canada there were about 100,000 tons, I think, the year prior to Korea.

Mr. HOUSTON. My recollection is that we used pretty close to 100,000 tons a month total aluminum consumption.

Mr. THOMAS. That 1,200,000, that is the figure you gave a while ago.

Mr. HOUSTON. Yes; that is right. You see, we have not had very much increase in the past year.

Mr. THOMAS. How much are we importing; how much do you contemplate importing during the calendar year 1952?

Mr. HOUSTON. Well, I know of at least 55 million pounds.

Mr. LARSON. I think it will run about 85,000 tons.

Mr. THOMAS. Well, even before Korea you were importing 100,000 tons.

Mr. LARSON. That is right. That has been cut back, not that we are not ready to take it and anxious for it, but because it is used elsewhere.

LEAD, ZINC AND MANGANESE

Mr. THOMAS. What about your lead and zinc and your manganese?

LEAD

Mr. WALSH. The lead, under directives issued there was a withdrawing of 30,000 tons maximum from the stockpile authorized.

The procedure was that there would only be withdrawn from that the deficit between production and demand.

Of the 30,000 tons authorized only 16,000 tons was withdrawn. The last withdrawal was in January.

The position now on lead has changed so we are able again to go out and buy it from the industry, so we are now buying lead.

ZINC

Mr. THOMAS. Well, now, what about zinc?

Mr. WALSH. On zinc; zinc has been released and diverted from production that was under contract to the extent of about 8,000 tons. We have authorization to divert an additional 15,000 tons.

Mr. THOMAS. How much do you have in the stockpile as of January 1 of this year?

(Discussion off the record.)

Mr. THOMAS. What is your annual rate of consumption anticipated for 1952 by the military and the civilian public?

Mr. HOUSTON. It is well over 1,000,000 tons, about 1,100,000 tons. The military is not a very large user of lead. Most of it goes into the civilian economy.

Mr. THOMAS. Is it pounds or tons?

Mr. HOUSTON. It is tons and it is a good round figure.

Mr. THOMAS. In other words, you have a somewhat better stockpile then?

Mr. HOUSTON. That is correct.

Mr. THOMAS. What is your rate of production?

Mr. HOUSTON. We get it almost in equal thirds; one-third from domestic primary, one-third domestic secondary, and one-third imports. So it is somewhere around 400,000 tons in each of those categories.

Mr. THOMAS. What is your source of imports?

Mr. HOUSTON. Mexico, Canada, South America—Peru.

Mr. WALSH. And Australia.

Mr. HOUSTON. I think the figures would show that over 80 percent of our lead was available on the North American Continent.

MANGANESE

Mr. THOMAS. What about your manganese?

(Discussion off the record.)

Mr. THOMAS. What is your annual consumption by the military and private industry?

Mr. HOUSTON. It is running about 1,400,000 to 1,600,000 tons a year.

(Discussion off the record.)

Mr. THOMAS. What is your production rate?

Mr. HOUSTON. The supply is running right now about 1,750,000 tons a year.

Mr. THOMAS. What part of that is imported?

Mr. HOUSTON. Practically all of it and domestic production would account for less than 200,000 tons.

Mr. THOMAS. What are your sources?

Mr. WALSH. The principal sources at the present time are India, the Gold Coast, and South Africa, and some coming from Brazil.

Mr. THOMAS. How much are you getting out of India, which I remember is about 55 percent or 60 percent of your total; is it not?

Mr. WALSH. Yes. The Indian exports last year were 900,000 tons, of which the United States got about 500,000 tons, the balance going to Europe and Japan. Japan was a heavy user of manganese last year.

Mr. THOMAS. So you are getting about 50 percent of your total imports from India?

Mr. WALSH. Yes.

Mr. THOMAS. Or 500,000 tons out of your 1,200,000 tons?

Mr. WALSH. Yes, sir.

Mr. THOMAS. Have you been able to make any progress in developing our supply of low-grade manganese in this country?

Mr. WALSH. There is a lot of low-grade manganese being produced at this time.

Mr. THOMAS. How much?

Mr. WALSH. In the over-all, I really do not know. I know that at Deming they are producing about 200,000 tons and there are some of the other areas that are producing, but I have not added it up.

Mr. THOMAS. Well, what is the quality of our domestic grade and what is the cost compared to the imported?

Mr. WALSH. The grade of the domestic varies. It runs as low as 12 percent and in some cases it goes up as high as 28 percent.

The cost is from $1.50 up to $2.

On the imported the minimum we import is 42 percent and our average cost of acquisition on that is 85 cents.

Mr. THOMAS. The domestic really costs you.

Mr. WALSH. Yes, sir.

Mr. THOMAS. In the case of a national emergency, and if we found ourselves cut off from foreign supply, do you have enough usable low-grade manganese in this country to meet our domestic and national defense needs?

Mr. WALSH. I believe the Bureau of Mines has testified previously that within a couple of years that could be done.

Mr. THOMAS. As a matter of fact, it is generally believed we have almost an unlimited supply of low-grade manganese in this country.

Mr. WALSH. Yes, sir; at a price.

Mr. THOMAS. Of course, when you have got to have it, when you are cut off from your 85-cent source, you do not measure it in terms of price.

Mr. ROLLE. Yes; that is right.

Mr. THOMAS. That is true.

Mr. ROLLE. Our low grade of domestic ores can be processed up to usable quality.

Mr. THOMAS. Whereabouts are these almost inexhaustible supplies of low-grade manganese located in this country?

Mr. ROLLE. Some in Nevada, some in the Dakotas, and some in Maine, and a good bit in scattered deposits in California, but no big ones—in fact, all through the West, of course, there are all sorts of scattered deposits.

Mr. THOMAS. All up and down the upper reaches of the Mississippi, that is where your big deposits are; are they not?

Mr. ROLLE. Well, the biggest single one is up in North and South Dakotas.

Mr. LARSON. Well, that is very, very low grade.

Mr. ROLLE. Yes; it is low grade.

Mr. LARSON. The biggest single deposit which is here is in Maine, but the deposits up and down the Mississippi are found only in nodulized, small forms. You have to root around and get them.

There are also low-grade sizable deposits in New Mexico, Arizona, and Montana, and in Virginia, and North Carolina.

Mr. THOMAS. Some of your mountain States, such as Montana and New Mexico, is that where your biggest supply is?

Mr. LARSON. Presently, there is where our biggest tonnage of domestic production of manganese is coming from, I think. That is principally for the reason that it is easier to beneficiate it when it is found in that area than in some other areas. The Arkansas manganese is usable and so is the Virginia manganese.

ACQUISITION OF MATERIALS

Mr. THOMAS. Mr. Reporter, at this point in the record will you insert page 4? I do not see anything confidential in that, acquisition of materials, cost of materials, cost of refining, cost of rotation and expenses of operation; also the receipt and custody of materials, handling materials, storage of materials, construction of facilities, and expenses of operation.

(The matter above referred to is as follows:)

SUMMARY OF THE ESTIMATE FOR 1953

The estimate for 1953 is presented in the same form as that for 1952. All items, activities, and subactivities are presented on an annual basis, except for "Cost of materials." This subactivity is not susceptible to precise timing by fiscal years due to unpredictable conditions of supply and price in world markets. These uncertainties will affect the amount of the 1952 unobligated balance which will remain available for the 1953 program.

In summary the program and estimate for 1953 are as follows:

Activities	1953 obligation program	1953 estimate
1. Acquisition of materials	$1,043,479,537	$111,129,537
(a) Cost of materials	834,194,000	
Less 1952 balance	740,000,000	94,194,000
(b) Cost of refining	0	0
(c) Cost of rotation	206,350,000	
Less receipts from rotation	192,350,000	14,000,000
(d) Expenses of operation	2,935,537	2,935,537
2. Receipt and custody of materials	43,870,463	43,870,463
(a) Handling materials	3,700,000	3,700,000
(b) Storage of materials	18,000,000	18,000,000
(c) Construction of facilities	20,300,000	20,300,000
(d) Expenses of operation	1,870,463	1,870,463
3. Liquidation of contract authorization	0	70,000,000
Total program or estimate	1,087,350,000	225,000,000

CONSTRUCTION PROGRAM

Mr. THOMAS. I notice that here you want some facilities this year to the tune of $20,300,000, for three or four storage tanks.

Mr. WALSH. Yes, sir.

ROTATION PROGRAM

Mr. THOMAS. Here is your operational expense. Well, first, before we go into that, your rotation program for 1953 will cost you $206,350,000 as against $60,339,000.

Now, why do you have that increase? Is it because as your materials begin to deteriorate you have to get rid of them?

Mr. WALSH. As the stocks grow, the necessity for rotating steps up in order to keep those stocks fresh and up to date.

Mr. THOMAS. Now, does that increase in rotation of $206,000,000—how much of a loss are you going to have there between the sales price and the purchase price?

Mr. WALSH. The estimated loss is $14,000,000.

Mr. THOMAS. It may be well to insert page 6 at this point.

(Page 6 is as follows:)

	1951	1952	1953
(c) Cost of rotation of materials:			
From appropriation or estimate	$5,211,000	$4,789,000	$14,000,000
Receipts from sales	69,232,031	55,250,000	192,350,000
Gross cost of program	74,443,031	60,039,000	206,350,000

Certain materials which deteriorate in storage must be rotated to assure prime condition of the stockpile.

The gross amounts shown above include all obligations incurred in the repurchase of commodities already in the stockpile which, because of their perishable nature, must be rotated from time to time.

The only item for which funds must be appropriated, however, is that shown as "cost of rotation." This figure represents price differentials, i. e., the excess of cost of replacement as against trade-in allowances or proceeds from sales of the rotated material, transportation, handling, weighing, countermarking, etc.

The following is the estimated rotation schedule and price differentials for the fiscal year 1953.

150,000 long tons of rubber:		
Sale price, at $1,100	$165,000,000	
Replacement, at $1,177.33	176,600,000	
		$11,600,000
25,000 short tons of oils:		
Sale price, at $500	12,500,000	
Replacement, at $560	14,000,000	
		1,500,000
45,000,000 pounds fiber:		
Sale price, at $0.33	14,850,000	
Replacement, at $0.35	15,750,000	
		900,000
Total net cost of rotation		14,000,000

d. Expenses of operation

The proper performance of the three foregoing subactivities is entirely conditional upon the provision of operating services of several kinds. In order to describe and relate these operations to the stockpiling program as a whole, they are brought together in one place and discussed in detail in a subsequent section of this justification, beginning on page 13. The expense of these operations has been distributed between the two activities of the stockpile program in accordance with the kinds and amount of services rendered, or to be rendered to each activity. In summary, the distribution of "Expenses of operation" to this "Acquisition of materials" activity is as follows:

Operations	1951	1952	1953
Research and development	$102,836	$140,250	$144,700
Purchase operations	399,040	617,880	644,200
Commodity inspection	1,131,730	1,618,500	1,500,000
Staff operations	555,852	603,237	593,000
Executive direction (Commissioner's office)	44,219	52,009	53,637
Total expenses of operation	2,233,677	3,031,876	2,935,537

EXPENSES OF OPERATION

Mr. THOMAS. With regard to the expenses of operation, those expenses have been distributed between the two activities of the stockpile program in accordance with the kinds and amount of services rendered or to be rendered to each activity.

In summary, the distribution of expenses of operation is as follows: For research and development, $144,700 for 1953 as against $140,250 for 1952; for purchase operations, $644,200 for 1953 as against $617,880 for 1952; the inspection service calls for $1,500,000 for 1953 as against the 1952 figure of $1,618,500; staff operations, $593,000 for 1953 as against $603,237 for 1952.

In other words, it adds up and shows a decrease of about $90,000 for 1953 over 1952. But you are buying 25 percent less in 1953 than you did in 1952.

Mr. WALSH. We will have about the same program.

Mr. THOMAS. You are buying 25 percent less and your expenses remain practically the same.

Mr. WALSH. Well, on the assumption, sir, we are going to get material in the amount of $740,000,000 plus the new estimate, the amount bought in 1953 would be greater than in 1952.

UNOBLIGATED BALANCE FROM 1952

Mr. THOMAS. Well, is it your plan in 1953 to obligate this $740,000 that you are going to carry over from 1952——

Mr. WALSH. At the time that estimate was prepared, sir, our unobligated balance was $1,740,000 and we came up with that carry-over of $740,000,000 on the basis of information as to the availability of materials.

But that amount is diminishing quite rapidly. For example, our unobligated balance as of this morning is $806,000,000; so, we probably will not have more than between $400,000,000 and $500,000,000 at the end of June instead of $740,000,000.

Mr. THOMAS. And you intend to obligate that $400,000,000 or $500,000,000 plus your $155,000,000 during 1953?

Mr . WALSH. That is correct.

Mr. THOMAS. In terms of dollar deliveries, how much will you receive in 1952? There is bound to be a period of from 3 to 5 or 6 months between obligation and delivery, a period of lead time.

Mr. LARSON. Mr. Chairman, it has been——

Mr. THOMAS. Well, can you tell me what you anticipate in 1953 in reference to lead time between delivery and obligation?

Mr. WALSH. We have that worked out, tonnagewise. In 1952, we get around 4,000,000 tons; in 1953, about 3,000,000 tons or about 1,000,000 less in 1953 than in 1952.

Mr. THOMAS. Well, then, my estimate that you are getting 25 percent less is correct, then, for 1953 as compared to 1952; is it not?

Mr. WALSH. Yes.

Mr. THOMAS. Well, then, your operating expenses ought to come down in proportion.

Mr. LARSON. On page 13 we show——

Mr. THOMAS. Now, that figure of $2,935,000 for the Acquisition of Materials is in addition to—I beg your pardon.

COMPARISON OF WORKLOAD TO COST OF OPERATIONS

Mr. LARSON. Go ahead. I was going to refer to page 13.

Mr. THOMAS. All right. What about it?

Mr. LARSON. Well, page 13 gives a summary of operating workload and a comparison between 1952 and 1953 in the table there.

Mr. THOMAS. Well, that is the way I arrived at that figure of 25 percent less in 1953 as against 1952.

Mr. LARSON. Mr. Chairman, in dollar volume there are purchase commitments in 1952 of $756 million. The workload projected in 1953 based on the assumption of $740 million carry-over is $834 million and that is what this request is based on.

The deliveries in 1952 were $900 million; in 1953 it is estimated it will be $1 billion.

(Discussion off the record.)

Mr. LARSON. Rotation goes up in 1953, as we indicated awhile ago, from $60 million to $206 million.

In other words, as the inventory grows, our workload grows, which we pointed out last year.

The maximum cost of the custodial operation of this is going to hit when we reach our goal and that is our big cost, outside of the cost of materials.

The actual cost of purchasing is a comparatively minor item—I mean the administration in connection with the purchasing—but as deliveries come in, and I might say that the lead time on some of these deliveries runs up as high as 2 or 3 years—as those deliveries come in, we have inspection workload continuing, transportation workload continuing, and warehousing workload continuing.

As stocks build up, we have to have more and more custodial operations and as stock build up we have to have greater rotation. That is inherent in the program.

Mr. WALSH. Schedule 2 in the back of the book gives deliveries for 1953.

RECEIPT AND CUSTODY OF MATERIALS

Mr. THOMAS. At this point the reported will insert page 7, dealing with "Receipt and custody of materials"—costs for 1953 of $43,870,463, which was a reduction of about $12,000,000 under 1952.

There is a breakdown into handling of materials, storage of materials, which is perhaps the second biggest item, and the third big item there is construction of new facilities which you want to build in 1953, $20,300,000 worth of construction for storage of liquid and nonliquid stockpile materials.

(Page 7 is as follows:)

Receipt and custody of materials

	Program	Estimate
1952	$56,536,472	$56,536,472
Change	−12,666,009	−12,666,009
1953	43,870,463	43,870,463

HIGHLIGHT STATEMENT

Covers one-time nonrecurring unloading and handling costs of commodities delivered to military depots and GSA warehouses; preparation and conversion of space to meet storage requirements; recurring charges for space presently utilized; necessary funds for additional space required for storage of new pur-

chases; port storage during winter months of chrome and manganese ores which are susceptible to freezing; special repackaging of materials; repairs to equipment; nonrecurring capital improvements, such as construction of tanks for oil storage, construction of warehouses for materials storage, construction of trackage as necessary adjuncts to proper storage, installation of thermal fire alarm systems where necessary in warehouse locations other than military, etc.; and, that portion of the expenses of operations essential to carrying out this activity.

SUMMARY OF COST OF ACTIVITY BY WORK COMPONENTS

This activity deals with several operations, each of which varies widely either in work units or unit costs. It is therefore subdivided into major components to justify program and performance. These components are summarized below and each is discussed separately on the pages which follow:

Component	1951	1952	1953
(a) Handling of materials	$4,096,137	$5,023,029	$3,700,000
(b) Storage of materials	10,987,533	14,481,575	18,000,000
(c) Construction of storage facilities	9,096,626	35,147,754	20,300,000
(d) Expenses of operation	1,295,735	1,884,114	1,870,463
Activity cost	25,476,031	56,536,472	43,870,463

Justification of program and performance

(a) Handling of materials:

1951	$4,096,137
1952	5,023,029
1953	3,700,000

This is a one-time, nonrecurring operation and expense of handling materials as delivered into the place of stockpile storage. The average unit costs shown for work under this heading reflect either agreed-upon charges or actual experience for handling to open, closed, and tank storage at military depots; present contract prices for GSA warehouse storage and prices in current contracts and quotations from warehousemen. Open storage provides for handling materials which are of such a nature as can be stored in the open without harmful deterioration. Closed storage provides for handling those materials which are of such a nature as to require cover. Tank storage provides for handling liquid materials such as oils, rubber liquid latex, etc.

CONSTRUCTION OF FACILITIES

Mr. THOMAS. I notice that you say 1,161,000 barrels are already provided for under your construction at five locations, three of which have been completed or nearing completion.

What is this $20,000,000 for, what is it going to provide in terms of units? You say it is going to provide storage for the balance of the total anticipated acquisition objective, the five tank farm installations listed must be supplemented by the eventual construction of additional capacity adequate to store 976,887 barrels of this type of material.

Mr. WALSH. That is correct.

Mr. THOMAS. Well, what is it that is to be stored, is it gasoline or oil?

CRITICAL OILS

Mr. WALSH. No, sir; palm oil, sperm oil, castor oil——

Mr. THOMAS. Well, now, whereabouts are these commodities, these oils, produced?

Mr. WALSH. Sperm oil, of course, comes from the whale.

Mr. THOMAS. I mean, is that domestic production or outside the United States?

Mr. WALSH. That is outside the United States.

Mr. THOMAS. From which countries do you buy it?

Mr. WALSH. Mostly from the European countries. They are our biggest sources of supply of sperm oil.

Mr. THOMAS. You do not have an industry in New England that goes out and gets that?

Mr. LARSON. Not any more.

Mr. THOMAS. How many tons or barrels of storage capacity does private industry have for this purpose now?

Mr. WALSH. We have utilized private industry to the greatest extent possible, but have found that it is too expensive.

Mr. THOMAS. What was that, again?

Mr. WALSH. We have found it too expensive over a period of time and it is far more economical to build the tanks than to store it with the private people; we save money by doing so.

Mr. THOMAS. How did industry operate after the war with reference to these items?

Mr. WALSH. You mean as to source of supply?

Mr. THOMAS. Yes.

Mr. WALSH. They are continually in the market for their needs. They maintain some stocks in this country, not too great, though.

Mr. THOMAS. How much storage capacity did private industry have as of January 1 of this year for these oils?

Mr. WALSH. I do not know what they had in inventory.

Mr. THOMAS. Well, then, how are you going to go out and build some, then, if you do not know how much is available in private industry?

Mr. WALSH. Well, I was referring to inventories, insofar as tank capacity, we are covering that all of the time, to find out what tank capacity might be available.

Mr. LARSON. Mr. Salisbury can make a statement on that.

USE OF PRIVATE WAREHOUSING FACILITIES

Mr. THOMAS. In other words, what I am getting at is this, to put it frankly. It is generally felt in this country that the armed services are not using private warehouses to the fullest extent, the warehouses already in existence, and yet the armed services are going out and building and building and duplicating and duplicating.

So, I am trying to find out now as to tanks what private industry has to offer in the way of tanks.

As to warehouse, I know from my own personal knowledge that commercial warehousing facilities are not being used adequately and I doubt if there is any definite concrete knowledge in the hands of the Government as to what is available in the way of warehouses. And I know that when it is offered to the military, the military crowd turns it down as not being according to plans and specifications or some other excuse.

Mr. SALISBURY. With respect to tanks, there is a shortage right now of commercial tank space, even though we have filled completely full one of our tank farms.

The tank operators are constantly asking us to certify them for more steel so that they can go ahead and build more tanks. So, the commercial tank storage industry as a whole in no way will be dislocated by our building new tanks; and the same thing is true in respect to warehousing.

Mr. THOMAS. Well, what are you going to need them for if private industry is going to build them?

Mr. SALISBURY. Well, the cost of storage with private industry far exceeds our own operation cost—aside from security.

Mr. THOMAS. These oils allocated out to private industry so that they can purchase, or is the industry permitted to go into the market and buy these?

Mr. WALSH. They are permitted to buy. The only control at the present time is castor oil and the Department of Agriculture exercises control on that.

Mr. LARSON. Well, there is no exclusive buying of any commodity except rubber and tin because those are the responsibility of Government buying exclusively. If I may speak to this——

Mr. THOMAS. In terms of total tonnage, then, of these commercial oils, how much does the military use now in comparison to the total tonnage that we are importing? Do we import all of these oils? You answer it concerning whale oil. What about castor oil and the rest of them?

Mr. WALSH. All of them are imported. There is a domestic castor program under way now for the beginning of next year.

Mr. THOMAS. Tung oil, too?

Mr. WALSH. Tung oil is not being stockpiled. The result of this year's domestic crop on castor oil was very disappointing. They expected to get much more. It is anticipated to get 70,000,000 pounds of domestic production next year.

Mr. THOMAS. Well, why is it necessary for the Government to go in and build the storage facilities for commercial oil and construct additional warehouses?

Mr. WALSH. Because there just is not sufficient tankage available commercially to handle stocks of oil that are in the hands of industry and in the hands of the Government.

Mr. LARSON. In addition to that, if I may add, Mr. Chairman, I think that you are confronted here with a continuing cost of storage. As far as our planning is concerned and as far as Public Law 520, it contemplates that this is a continuing program, this is an ever-recurring program. When we reach the objective, the Government will be expected to maintain that amount of oil in storage at all times.

Now, if we store that in commercial installations, even if they are available, which they are not, they would be located in points where they would be most vulnerable to sabotage or direct attack and you have also got the security angle, plus the fact that it is like renting a post-office building for 50 years. It would be much cheaper——

Mr. THOMAS. Well, for the aviation industry it is going, in duplication, and adding to that, right on the water front and it is going into the congested areas; and also you are putting your most vital plants there and decentralization does not seem to amount to anything. Now, when you come up with a storage tank for some oil that private industry is also buying, why——

Mr. LARSON. Well, I think you will find your biggest commercial storage of these oils in the areas of New York, Philadelphia, Boston, and San Francisco.

Mr. THOMAS. Where are your tank farms located?

Mr. SALISBURY. They are located as follows——

(Discussion off the record.)

COMMERCIAL WAREHOUSE SPACE

Mr. THOMAS. I have noticed some correspondence from Anderson-Clayton Co., who know warehouses, and in my judgment they have forgotten more about warehouses than all of the Government bureaus ever knew, more than all of the brain trusters put together will ever know, and there is a long record of performance behind them.

In their last letter they pointed out that you did not know anything about the availability of Government space, and yet when you found some that was available privately, why, there was always something wrong with it, and yet it is good enough for industry to use.

Of course, those people have only made $200,000,000 or $300,000,000 off of storage and I guess they don't know anything much about it.

However, the General Services Administration has disagreed with practically everything they said. They pointed out to one warehouse that they own in North Carolina or Georgia or some place that they have been using for a good many years.

Let me ask you, are you in charge of the warehouse program?

Mr. SALISBURY. That is right, the stockpile warehouse.

EXPERIENCE OF HEAD OF WAREHOUSE PROGRAM

Mr. THOMAS. Tell us your experience and background.

Mr. SALISBURY. I have been in transportation and warehousing work since 1904.

Mr. THOMAS. With whom?

Mr. SALISBURY. My last service was with the City Ice & Fuel Co., who operate warehouses throughout the country. These are largely cold-storage plants. They also operate ice plants all over the country.

Also, I was with the Pittsburgh Terminal Warehouses conducting commercial and dry storage operations. I have had experience in both the cold-storage industry and the commercial storage industry, the latter commonly called dry storage.

Mr. THOMAS. What was your employment with those private concerns; that is, what were your duties?

Mr. SALISBURY. While with the City Ice & Fuel Co., I was vice president and general manager of the Pitsburgh and Cleveland warehouses and also supervised the Columbus, Ohio, warehouse. At the Pittsburgh Terminal Warehouse I was secretary and general manager. Previously to that I was general traffic manager for the Hearst newspapers in Pittsburgh.

Before that I put in a number of years with a wholesale jobbing and dry goods house. They did $10,000,000 worth of business a year. They conducted their own warehouses.

SURVEY OF COMMERCIAL WAREHOUSE SPACE

Mr. THOMAS. Well, has the General Services Administration made a survey of the market to find out how much available space for warehousing purposes is available now?

Mr. SALISBURY. We are continually listing warehouse spaces as made known to us. Now, the space, I think, Mr. Chairman, that you have in mind is largely in the Southeast areas. There is no need for any there by reason of the fact that it is out of bounds for our consuming areas.

Mr. THOMAS. Well, not long ago Mr. Larson pointed out the fact that the security reason was quite compelling for decentralizing.

Mr. LARSON. Well, I said that we had to keep out of the port area, which is what Mr. Salisbury meant. The majority of the vegetable oils storage is in the large port areas in this country.

Now, what Mr. Salisbury is saying is that when we build a permanent stockpile to be maintained for an indefinite period of time, that it should be built in the area where it will be consumed, or as near to that as they can go. For instance, with rubber, you would not store that in an area like New Mexico where there are no tires being made, you would store them in, for example, the Akron area where 90 percent of the manufactured rubber production is.

We would want to have our storage in an area like that because we are concerned with transportation as well as material.

For instance, wool and cordage or fibers are stored principally in the New England area.

ANDERSON-CLAYTON CORRESPONDENCE

Now, I wish Mr. Salisbury would go ahead with some details to explain this Anderson-Clayton matter.

Mr. SALISBURY. That name escapes me by reason of the fact that there are so many letters going over my desk.

However, I believe that those are cotton warehouses, ordinarily used for cotton warehousing. Right now there is no cotton being stored and all of the cotton warehouses have been in asking us about rubber storage. We have used some in connection with our storage, particularly in the temporary storage of rubber coming from the west coast that we will eventually have to move to consuming areas in Kansas. The warehouses being used are in the Arkansas and Oklahoma area.

But, when we get south of that, not only is it out of bounds from the transportation angle, but the temperature is a factor.

We have this restriction, if rubber gets too soft it becomes unmanageable and deteriorates quickly. We are keeping in mind high temperatures. It is preferred that they not go above 55° to 60° for extended periods.

Mr. THOMAS. Have you had any laboratory tests made of that deterioration of rubber?

Mr. SALISBURY. Yes; we have had these from Firestone and Goodyear and all of the big buyers, with respect to heat.

TANK STORAGE COSTS

Can I refer back to the tank problem for a moment?

Mr. THOMAS. Yes.

Mr. SALISBURY. On page 9 you will notice tank storage costs, Federal as compared to commercial. The unit is the short ton. The cost per year for Federal tank is $2.309 per ton and the 2-month cost commercial is $6.60 per ton.

HANDLING AND STORAGE COSTS

Mr. THOMAS. Of the total cost here for handling and storage and expenses in your construction, totaling $43,870,000 for 1953, how much goes for salaries and labor costs?

Mr. WALSH. Page 14 contains the information upon storage and transportation.

Mr. LARSON. Well, he is talking about the whole $43,000,000. I think that is broken down on the green sheet, page 47, and the item he is asking for is $3,465,000 for personnel services.

Mr. THOMAS. That is right.

Mr. WALSH. What you want is, of the $3,700,000 cost of handling, what part is actual labor?

Mr. THOMAS. Yes; that is right.

Mr. WALSH. Well, most of that is actual labor.

Mr. THOMAS. Well, we imagine that is true, but do you have a reasonably firm figure of the amount?

Mr. WALSH. Offhand I would say practically all of it is.

Mr. THOMAS. You have got an item here for $1,870,000, expenses of operation——

Mr. WALSH. The cost of labor I refer to is the labor in handling material on the job, in and out of warehouses, and things of that nature.

Mr. THOMAS. Are these people civil-service employees or under the Wage Board?

Mr. WALSH. No, sir; they are not civil-service employees except in some cases where the job might be done on military installations; but in those warehouses which are operated under contract they are not civil-service employees. The $1,870,000, of course, would be all civil-service employees.

Mr. THOMAS. How many employees does that mean and where are they located?

Mr. WALSH. On the storage and handling phases, storage and transportation, it is 129 in Washington and there are 105 in the field.

Mr. THOMAS. 129 in Washington bossing 105 in the field.

Mr. WALSH. No, sir. The people in the field are under the jurisdiction of the regional director in the field.

Mr. THOMAS. What did the 129 in Washington do and what did the 105 in the field do?

Mr. WALSH. Well, the 129 in Washington have to arrange for the ocean transportation when the material originates in foreign countries. Second, they have to arrange for the handling in ports when it arrives here. Third, they have to arrange the inland transportation and the moving to warehouses, and they also must handle the outgoing movement of these materials which are being diverted from stockpile into industry.

Mr. THOMAS. Well, let us take a look at "Executive direction and management."

Mr. Reporter, at this point insert page 133 in the record, please; that is volume 1.

(P. 133 is as follows:)

EXECUTIVE DIRECTION AND STAFF OPERATIONS

GENERAL STATEMENT

Executive direction and staff operations embraces the policy direction and over-all administration of the General Services Administration and, in addition, functionally integrated facilities for providing real property, personal property, and records programs, financed from this appropriation, with complete services in the areas of administrative, compliance, financial, informational, and legal operations.

Operating counterparts of each central-office function in this group are located in the regional offices, except for information and contract settlement. Compliance, being an investigative and security operation, is organizationally a central-office function; however, one man is stationed in each regional office to obtain greater efficiency and economy in the operation.

ANALYSIS OF ESTIMATE

A little over a year has now elapsed since the final step was authorized in the organization of GSA as it related to the field structure, and the staff has gained experience in discharging functions which are being performed on a fully integrated basis. It was on this premise that funds were authorized for the bare minimum requirements of these activities for fiscal year 1952 after an objective on-the-spot analysis of the requirements of each activity in each region and the central office by a budget team composed of top-level representatives from each of the operating services and principal staff offices. It was the consensus of officials who participated in the analyses that funds authorized could provide only for the most essential elements of service. Due to reductions in the 1952 appropriation, funds could not provide the staff necessary to expand the scope or improve the quality of services rendered to a level of performance considered adequate.

Although financing of these activities in fiscal year 1952 permits an inadequate quality level of operation, only a small increase of $179,000, or 3.5 percent, is provided in the estimate, which is not even commensurate to the workload added for operations under Reorganization Plan 18 during 1952 and 1953.

When expressed in terms of percentage of the total cost of regular programs (not including plant rehabilitation) financed under "Operating expenses," it is significant that the percentage of cost for these functions to the total cost was 5.3 percent in 1951; 4.6 percent in 1952; and 4.2 percent in 1953. Experience to date in GSA indicates that false economy begins to creep in when the percentage for such costs falls below 5 percent. A summary of estimated obligations for activities in this group follows:

Summary of estimated obligations by activity

	1951	1952	1953
20. Executive direction	$453,570	$485,200	$485,000
21. Financial management	2,164,264	2,463,500	2,526,500
22. Administrative management	1,603,406	1,608,500	1,677,000
23. Legal	419,952	405,300	449,000
24. Information	09,360	40,500	45,000
25. Compliance	85,736	136,700	138,000
26. Contract settlement	48,240	54,300	52,500
Total estimated obligations	4,814,528	5,194,000	5,373,000
Personal services cost	4,216,805	4,746,772	4,928,811
Other object cost	597,723	447,228	444,189

Mr. THOMAS. It shows a total cost of $5,373,000 for 1953 as against $5,194,000 in 1952, broken down into about four or five subheads.

For executive direction, $485,000 in 1953 as against $485,200 in 1952; for financial management in 1953, $2,526,500 and in 1952, $2,463,500; administrative management, $1,677,000 in 1953 and $1,608,500 in 1952; legal, $449,000 in 1953 and $405,300 in 1952; information, $45,000 in 1953 as against $40,500 in 1952; compliance, $138,000 for 1953, and $136.700 for 1952; contract settlement, $52,500 for 1953 and $54,300 for 1952.

In addition, it might be stated that in the 10 regional offices you have the same functions performed.

EMPLOYMENT

Now, how many employees are in that heading here of "Executive direction and staff operations?" What is the total number and how many are there in the field and how many in Washington?

Mr. LARSON. For executive direction, 54, 20 in Washington and 34 in the field.

Mr. THOMAS. That is your full entire operation under the heading of "Executive direction and management?"

Mr. LARSON. That is correct.

Mr. THOMAS. Well, that cannot be right. What is the total number, please?

Mr. LARSON. Total number of employees?

Mr. THOMAS. Yes.

Mr. LARSON. Requested in this budget?

Mr. THOMAS. Yes.

Mr. LARSON. It is 54, if it is executive direction you are asking for?

Mr. THOMAS. Yes.

Mr. LARSON. It is 54, 20 in Washington and 34 in the field.

Mr. THOMAS. I mean the entire staff operations.

Mr. LARSON. You mean staff direction?

Mr. THOMAS. And management; yes.

Mr. LARSON. Management, that is summarized on page 197, including contract settlement——

Mr. THOMAS. You have got about five or six big heads here; financial management, administrative management, legal information, compliance and contract settlement. I do not find it summarized here. Can somebody summarize that, right quick?

Mr. MEDLEY. 994, Mr. Chairman, average employment for 1953, as compared with 989 in 1952, including reimbursable activities.

Mr. COTTON. Where are you reading from?

Mr. LARSON. He is reading from page 142 volume 2.

Mr. THOMAS. Well, whereabouts do you find that figure?

Mr. LARSON. The summary is also in the green sheet on page 197 for all executive direction and staff operations under the operating expense item, excluding reimbursables.

Now, the total for all appropriations is on page 142.

Mr. THOMAS. Yes; but I am talking about this particular operation.

Mr. LARSON. This particular operation, it is summarized on page 197, the green sheet, page 197, and the total is 894, 392 in Washington and 502 in the field.

Mr. PHILLIPS. That is page 197 of volume 1.

Mr. THOMAS. That is in your green sheet?

Mr. LARSON. That is right.

Mr. PHILLIPS. That is average employment, is it not?

Mr. LARSON. That is average employment, that is what we are asking for.

Mr. PHILLIPS. It adds about 10 or 12 percent.

Mr. LARSON. No; there is not that much deviation.

Mr. THOMAS. In 1953 you are asking 894 as against 867 for 1952—is that the figure?

Mr. LARSON. Yes. It is about a 3 percent increase, I think, Mr. Phillips, compared to about 10 percent increase in program.

SUPERGRADE POSITIONS

Mr. THOMAS. I notice you have one grade 17 and three grade 16. What is the function of the grade 17?

Mr. LARSON. That is the executive assistant to the Administrator.

Mr. THOMAS. Who is he and what does he do?

Mr. LARSON. Mr. Snyder. He follows up on actions for the Administrator.

Mr. THOMAS. What is Mr. Snyder's background? How long has he been over there?

Mr. LARSON. Mr. Snyder has been with me ever since I was Administrator in War Assets.

Mr. THOMAS. What did he do in War Assets?

Mr. LARSON. He occupied the same position.

Mr. THOMAS. How long did he stay in War Assets?

Mr. LARSON. Until I was appointed Federal Works Administrator and he came to Federal Works Agency with me.

Mr. THOMAS. In other words, was he in War Assets all during the operation of War Assets?

Mr. LARSON. He was there all the time I was there; yes, sir.

Mr. THOMAS. What did he do in private industry before he went into War Assets?

Mr. LARSON. He was in business for himself, in the automobile business in Florida, and he went into the Army, and when he came out of the Army, directly into War Assets.

Mr. THOMAS. What kind of business was he—automobile business—what do you mean by that?

Mr. LARSON. Well, he had an automobile agency in Sarasota, Fla.

Mr. THOMAS. How big a town is Sarasota, Fla.?

Mr. LARSON. I do not know. It has about 50,000 people.

Mr. THOMAS. You have some more supergrades here. What was his pay over at War Assets? What was his civil-service grade over there?

Mr. LARSON. CAF–15.

Mr. THOMAS. Well, looking over your list here you have W. E. Reynolds, Commissioner of Public Buildings. What is his salary? How do you justify that discrepancy between Mr. Reynolds' salary and these other salaries? He is not present here right now, but we have known him for quite some time, and in our judgment he can carry more in his head than most of us can in a set of books.

Mr. LARSON. Well, I stand second to nobody in my admiration of Mr. Reynolds, but his salary is fixed by Congress, by statute.

Mr. THOMAS. Congress fixed the salary?

Mr. LARSON. That is correct.

Mr. THOMAS. Well, why has not Mr. Reynolds been given that grade?

Mr. LARSON. If we did, then he would get $1,000 less than he is getting now.

Mr. PHILLIPS. How do you figure that out?

Mr. LARSON. Because grade 17 is $13,000 and Mr. Reynolds is getting by statute $14,000.

Mr. THOMAS. What is that again, now?

Mr. LARSON. Well, you asked me why we did not make Mr. Reynolds a grade 17 and my answer is that if we did he would get a salary $1,000 less.

Mr. THOMAS. Well, you have this salary here of $15,000 and Mr. Reynolds is $14,000——

Mr. LARSON. I do not know what salary you are referring to.

Mr. THOMAS. What is the salary of a grade 17?

Mr. LARSON. 17 is $13,000.

Mr. THOMAS. What about this, you have got a Deputy Administrator here at $15,000. Is that a congressional salary?

Mr. LARSON. That is fixed by statute. The Archivist's salary is fixed by statute; the Commissioner of Public Buildings is fixed by statute, and the Commissioner of Federal Supply is fixed by statute. The Commissioner of Emergency Procurement Service is a grade 18; that is Mr. Walsh.

Mr. PHILLIPS. Where do these super grades begin?

Mr. THOMAS. It is 16 and they go up to 18, and you have the super grades created by statute.

How many super grades do you have here?

Mr. LARSON. There is a list on page 143, part 2.

Mr. PHILLIPS. Which is the one that Mr. Larson is testifying to? Is that Mr. Forbes, Deputy Administrator?

Mr. LARSON. The Deputy Administrator is fixed by statute.

Mr. THOMAS. You have five 16's and one 17 and one 18 and then you have five fixed by statute.

Mr. LARSON. That is correct.

Mr. PHILLIPS. You were testifying about Mr. Snyder, too, were you not?

Mr. LARSON. I was just testifying about Mr. Forbes. Mr. Snyder is a 17 and he gets $13,000 a year.

Mr. PHILLIPS. And those are all statutory?

Mr. LARSON. They are all classified.

Mr. THOMAS. The Administrator, the Deputy Administrator, the Archivist, the Commissioner of Public Buildings and Grounds and the Commissioner of Federal Supplies are statutory; the others are civil-service grades.

Now, these gentlemen from the Munitions Board would like to leave. Do we have any questions?

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TANNIN EXTRACT

Mr. PHILLIPS. I have one question on defense material.

I notice you have certain agricultural commodities that are on your list, down at the bottom.

Now, what is the trouble with getting the tannin extract, especially from wattle bark? I am quite sure that my State has gone into the development of wattle bark.

Mr. HOUSTON. I think that is something Mr. Walsh is more familiar with.

Mr. WALSH. Wattle bark was added to the stockpile objective approximately only a year ago.

Mr. PHILLIPS. Well, rather than putting a good deal on the record, suppose you get in touch with me. If you really want to get wattle bark, I think I could put you in touch with some development work in California.

Mr. WALSH. We would be very happy to. We now are getting practically all from Africa.

(Discussion off the record.)

EXPENSES, GENERAL SUPPLY FUND

Mr. THOMAS. The reporter will insert in the record at this point page 51, through the second paragraph of page 53, "Part 2, expenses, general supply fund."

(The matter above referred to is as follows:)

Expenses, general supply fund

	Average employment			
	Amount	Department	Field	Total
1952 appropriation	$15,075,000	212.6	2,111.2	2,323.8
Change	+4,538,000	+65.3	+730.6	+795.9
1953 estimate	19,613,000	277.9	2,841.8	3,119.7

APPROPRIATION LANGUAGE

Expenses, general supply fund: For expenses necessary for operation of the general supply fund (except those authorized by law to be charged to said fund), [$15,000,000, of which not more than $8,201,000 shall be available for personal services] *including not to exceed $650 for purchase of newspapers and periodicals; $19,613,000: Provided, That the general supply fund shall be available for the purchase of not to exceed ten passenger motor vehicles for the purposes of this appropriation.*

[For an additional amount for "Expenses, general supply fund," $75,000; and the limitation under this head in the Independent Offices Appropriation Act, 1952, on the amount available for personal services, is increased from $8,201,000 to $8,236,000.]

GENERAL STATEMENT

This appropriation finances the expenses relative to the operation of the general supply fund, a revolving capital fund for the continuous financing of the purchase—sales at cost—reimbursement cycle for common-use items required by agencies of the executive establishment. Such items are also supplied to the Government of the District of Columbia and certain mixed-ownership corporations at cost plus recovery of expenses.

Sales to Government agencies fall into four groups: (1) Stores issues to items purchased and put in stock in the stores system of GSA, including the fuel yard, to be issued to the agencies upon requisition; (2) direct delivery sales in which the purchase is made by GSA for delivery directly to the ordering agencies; (3) the products of automotive, furniture, and typewriter repair shops; and (4) equipment pool services.

The ability of the fund to economically and effectively supply agencies' requirements of common-use items depends on an inventory adequate as to number and volume of items and appropriately decentralized in the 10 regional offices of GSA which are located in areas of significant Federal agency concentration. During 1951, the Congress increased the capital of the fund from $10 million to $44 million for that purpose. The fund suffered an inventory loss of approximately $1,250,000 as the result of floods which practically demolished the supply center at Kansas City, Kans., in July 1951. Capital restoration of only $1,100,000 was provided in the Supplemental Appropriation Act, 1952, leaving a net loss of about $150,000 which it is believed will be offset by other operating income such as discounts on purchases, so that it may be construed that the appropriated capital remains at $44 million.

From the viewpoint of operations, effective utilization and the additional capital beginning in 1951 required acquisition of substantial additional warehouse space, increased staffing, equipment, etc.

The measure of results achieved in reducing operating expenses in supplying common-use items to the Federal agencies, by virtue of volume purchasing and concentrated warehousing, is best expressed in the ratio of expense to sales. Ratios of actual 1950 and 1951 and estimates for 1952 and 1953 follow:

[Dollars in millions]

	Actual, 1950	Actual, 1951	Estimate, 1952	Estimate, 1953
Store sales	$26.0	$44.80	$95.20	$157.80
Expenses	$4.9	$6.26	$10.25	$13.66
Ratio to sales—percent	18.8	14.0	10.76	8.65
Direct delivery sales	$51.1	$65.7	$85.3	$97.1
Expenses	$0.6	$0.8	$1.0	$1.1
Ratio to sales—percent	1.23	1.25	1.17	1.13
Total sales	$77.1	$110.50	$180.50	$254.90
Expenses	$5.5	$7.06	$11.25	$14.76
Ratio to sales—percent	7.13	6.40	6.23	5.79

Reconciliation of operating expenses with appropriation or funds

[Dollars in millions]

	Actual, 1950	Actual, 1951	Estimate, 1952	Estimate, 1953
Operating expenses (as above)	$5.5	$7.06	$11.25	$14.76
Space rental	.1	.18	1.83	4.02
Alterations, repairs, and moving cost		.62	.91	.83
Savings or deferrals (net)			1.08	
Total appropriation or funds	5.6	7.86	15.07	19.61

Space rental and alteration, improvement, and moving costs are not considered in the ratios because of their short time or nonrecurring characteristics, respectively, and would, if included, destroy comparability by years. Further, each will "disappear" from the appropriation (1) space—as leases are firmed up and are taken over by buildings management under "Operating expenses," and (2) the warehouses are moved and established in appropriately organized

space. A separate activity, "5, Space and related costs," is included in this estimate therefor. Gross savings of $1.8 million in space rental, alterations, etc. in 1952 are the direct result of the reductions in appropriation and the personal services limitation imposed by the Congress, and reflects GSA's determination to maintain this program balance on which the appeal to the Senate from the House reduction was made. Absorption within the appropriation of pay increases provided from July 8, 1951, by Public Law 201, Eighty-second Congress, reduces this saving to a net of $1.08 million.

The major portion of expense of operations is attributable to stores sales because the operation includes receiving, and issuing commodities as contrasted with direct delivery sales which are shipped by the contractor directly to the ordering agency, thus bypassing the supply centers. Ratios for the latter vary only slightly from a maximum of 1.25 percent to a low of 1.13 percent, as sales volume increases. Conversely, stores-sales ratios reflect sharp reductions as volume of business increases. Reductions are indicated each year from 18.8 percent on $26 million of issues in 1950 to 14 percent in 1951, 10.76 percent in 1952 and 8.65 percent on $157.8 million in 1953. The over-all reduction of 10.15 percent in cost of doing business over the four-year period, despite pay increases provided from July 8, 1951, by Public Law 201, Eighty-second Congress, amounting to $815,069 in 1952 and $1,110,531 in 1953, attests to the soundness of the "lower cost as volume increases" theory.

BASIC PROGRAM AND PERFORMANCE DATA

Mr. THOMAS. For 1953 you want to step up your employment from 2,323 in 1952 to 3,119 in 1953.

At this point the reporter will insert the table on page 54.

(The table referred to is as follows:)

Basic program and performance data

	1951	1952	1953	Percent increase over 1952
Appropriated capital (in millions)	$44	$44	$44	
Less amounts reserved for equipment etc. (in millions)	4	4	4	
Capital available for inventory (in millions)	40	40	40	
Inventory:				
Targets set in 1952 budget (in millions)	16.4	40.0	40.0	
Inventory on hand (maximum in millions)	19.3	32.3	40.0	23.8
Sales program (in millions):				
Total	110.5	180.5	254.9	41.2
Stores sales	44.8	95.2	157.8	65.8
Direct delivery sales	65.7	85.3	97.1	13.8
Space (total square feet end of year)	2,386,187	3,755,000	5,470,000	45.7
Average square feet per million of stores issues	53,263	39,904	34,664	−13.1
Purchases (number):				
Total	103,187	157,824	238,000	50.1
Inventory and replenishment	47,411	78,795	140,250	78.0
Direct delivery	55,776	79,029	97,750	23.7
Sales (number):				
Total	389,193	578,541	807,750	39.6
Stores sales	333,417	499,512	710,000	42.1
Direct delivery sales	55,776	79,029	97,750	23.7
Inspections, tests, etc. (number)	87,458	171,744	222,880	29.8
Billings (shop and equipment in millions)	$0.6	$1.4	$1.9	35.7
Positions (average employment)	1,580.5	2,323.8	3,119.7	34.2

From an over-all viewpoint the foregoing summary shows (1) that the program exceeded the inventory target set for 1951 in the 1952 budget of $16.4 million by $2.9 million, (2) that it falls short of achieving the 1952 target there-

in established of $40 million by $7.7 million, and (3) that full realization of the maximum inventory is thus deferred until 1953. The underrun in 1952 and deferral to 1953 reflects the effect of the drastic dollar reduction made by the Congress in the appropriation and the limitations it imposed on personal services.

Comparison of the 1952 and 1953 estimates reveals that 1953 provides for an inventory increase of 23.8 percent; an increase in dollar volume of sales of 41.2 percent primarily resulting from participation by the Military Establishments; an increase of 45.7 percent in space occupied which reflects a reduction of 13.1 percent in the average square feet required per million dollars of stores issues; an increase of 50.1 percent in number of purchases due in part to the deferred inventory purchasing; an average increase of 39.6 percent in sales representing a 42.1 percent increase in stores issues and 23.7 percent in direct deliveries; an increase of 29.8 percent in inspection, tests, etc., due largely to the fact that limitations on funds in 1952 made it impossible to perform an adequate level of inspections, etc.; an increase of 35.7 percent in the number of repair shop and equipment pool billings due to larger volume and improved operating efficiency in existing facilities; and an increase of only 34.2 percent in average employment.

In relation to the average employment increase of 34.2 percent in 1953, stores issues are up to 65.8 percent in value and 42.1 percent in workload, and inventory and stock replenishment purchasing are up 78 percent in workload.

Mr. THOMAS. How many additional stores do you intend to open up in 1953 over 1952?

Mr. LARSON. No additional stores.

Mr. THOMAS. How many stores do you have?

Mr. LARSON. Twelve.

PURCHASING

Mr. THOMAS. Insert in the record, Mr. Reporter, page 58.

(Page 58 is as follows:)

Purchasing

	Amount	Average employment		
		Department	Field	Total
1952 program	$2,275,881	18.7	492.6	511.3
Change	+1,080,219	+18.0	+202.5	+220.5
1953 estimate	3,356,100	36.7	695.1	731.8

HIGHLIGHT STATEMENT

Commodities are procured, through use of the general supply fund, for replenishment of stocks and for direct delivery to agencies. Purchasing is effected on a decentralized basis to increase participation by local and small business, to reduce transportation costs, and to save delivery time. Procurement policies and methods are prescribed as aids to executive agencies in the discharge of their responsibilities.

During 1951, the initial year of expansion under the increased capitalization of the fund, 103,187 orders were processed for a three-times-a-year turnover in stock. Reductions in the appropriation for 1952 have curtailed expansion planned for that year, resulting in substantially annualizing the rate as of June 1951, or 157,824 orders. The 1953 estimate is geared to utilize the full remaining balance of the capital available for inventory and contemplates a four-times-a-year turnover, increasing orders processed to 238,000, or 50.8 percent over 1952.

Program and performance

	1951	1952	1953
Workload in units: Orders processed	103,187	157,824	238,000
Unit cost (per order processed)	$13.89	$14.10	$13.74
Performance cost	$1,433,350	$2,226,030	$3,269,800
Share of service administration	52,785	49,851	86,300
Total cost	1,486,135	2,275,881	3,356,100

JUSTIFICATION OF PERFORMANCE

The objective work unit "orders processed" consists of purchase orders issued to supplier for (1) the purchase of new stock items, (2) replenishment of warehouse and fuel-yard stocks, and (3) shipment of items (other than fuel) direct to users.

The increase in workload in fiscal year 1953 will result largely from the increased volume of purchasing required because of the anticipated four-times turn-over of stores stock under maximum inventory conditions. Under the "no surcharge" procedure which became effective July 1, 1951, increased use of the fund by Federal agencies, including the Military Establishment, is assured. A relatively small increase in direct delivery purchasing is also anticipated.

The following data reflects the significant increase in purchase levels by year:

	1951	1952	1953
Total purchases	$139,000,000	$202,500,000	$254,000,000
Inventory and stock replenishment	73,300,000	117,200,000	156,900,000
Direct delivery	65,700,000	85,300,000	97,100,000

Mr. THOMAS. You show 731 employees in 1953 as against 511 in 1952, at a cost of $2,275,881 for 1952 as against $3,356,100 for 1953, for purchasing.

STORES OPERATIONS

For stores operations you want 1,515 employees in 1953 as against 1,094 for 1952, at a cost of $7,351,000 for 1953 as against $5,554,000 for 1952.

EQUIPMENT MANAGEMENT AND MAINTENANCE

For equipment management and maintenance, you want a total of 12.5 for 1953 as against 11.5 for 1952, at a cost of $66,200 for 1953 as against $65,087 for 1952.

REPAIR SHOPS

Now, you have three repair shops in Washington and also one in Denver and one in Dallas, is that correct?

Mr. MACK. That is right.

Mr. THOMAS. How much work are you doing in each of those five locations?

Mr. MACK. I have a detailed breakdown on that by locations which I will give in just a moment. Most of the work is done right here in Washington. The operations at Dallas and Denver are very nominal.

Mr. THOMAS. What is the total cost for these operations?

Mr. MACK. Are you speaking of the shops only?

Mr. THOMAS. All the operations, management cost, and your labor costs, dollar cost.

Mr. JUMONVILLE. Obligations in the revolving fund for the repair-shop operations are $1,113,700, exclusive of the cost of parts.

Mr. THOMAS. For what year?

Mr. JUMONVILLE. That is 1952, including personal services and other; in 1953, $1,573,200.

Mr. THOMAS. How much of that $1,573,000 is for salaries?

Mr. JUMONVILLE. $1,486,322.

Mr. THOMAS. How much work did you do in those five installations? Did you repair automobiles, furniture, and typewriters, and so forth?

Mr. MACK. Yes, sir.

Mr. THOMAS. What was covered by the repair shops in Denver and Dallas? Furniture and what else? Typewriters?

Mr. WINCKLER. In 1951 the billings for the office-machine shop, principally typewriters, was $114,000. The furniture shop was $263,000. Automotive repairs were $254,000, for a total of $632,000. The balance is an inconsequential amount, in Dallas and Denver; small typewriter operations—typewriter maintenance and repairs.

Mr. THOMAS. The hearing last year showed that the salaries for 44 employees who did $192,000 worth of work—how much work are you going to do in 1953?

Mr. WINCKLER. The 1952 estimate of the billings for the shops plus a new type of billing that we did not have in 1951, which is the billing for the consolidated motor pool here in Washington, combined amount to $1,356,000.

Mr. THOMAS. That is for the work or what?

Mr. WINCKLER. That is the actual billing.

Mr. THOMAS. How many employees do you have in the District of Columbia in your three garages here?

Mr. JUMONVILLE. Approximately 315 in the repair shops and motor-equipment pool.

Mr. THOMAS. What is your salary for those 315 employees?

Mr. JUMONVILLE. The sum total is $1,040,000.

Mr. THOMAS. And they did $1,092,000 worth of work.

Mr. JUMONVILLE. No, sir. For 1952 the total billings are estimated at $1,356,000.

Mr. THOMAS. Well, you have got salaries and other objects for 315 people in the District of Columbia.

Mr. JUMONVILLE. At approximately $1,040,000.

Mr. THOMAS. How much work will they turn out?

Mr. JUMONVILLE. They will turn out for the fiscal year 1952 approximately $1,400,000.

Mr. THOMAS. Well, there is not much margin of saving in there; is there?

Mr. WINCKLER. I think there is a considerable margin of saving, Mr. Chairman. Those billings are primarily for labor, parts, and raw materials.

Mr. THOMAS. Are these employees under civil service?

Mr. WINCKLER. Yes, sir.

Mr. THOMAS. All of them?

Mr. WINCKLER. Yes, sir.

Mr. THOMAS. And do you mean to tell me that civil-service employees who get 50 days a year off are going to do a job cheaper than private industry can do it?

Mr. WINCKLER. Let me give you some comparative figures. That is the test.

In 1951 these three shops in the District of Columbia showed a profit of $54,399, which ulitmately goes into "Miscellaneous receipts."

Mr. THOMAS. How did you arrive at that figure of $54,000 profit?

Mr. WINCKLER. It is the sum of all the costs, of salaries, and of raw materials——

Mr. THOMAS. And rent?

Mr. WINCKLER. No; there is no rent in that figure.

Mr. THOMAS. What do you pay for the three buildings for the three different shops in rent a year?

Mr. WINCKLER. In Washington there is no charge for rent because they are Government-owned buildings.

Mr. THOMAS. How many square feet are there in the three buildings that you occupy or the four buildings or whatever it is?

Mr. WINCKLER. We only occupy part of one building and——

Mr. THOMAS. For the three shops?

Mr. WINCKLER. These three shops are scattered——

Mr. THOMAS. How many square feet in the three shops?

Mr. WINCKLER. I could not give you that offhand.

Mr. THOMAS. That is a pretty important figure, you see. Can anybody give that to us?

Mr. WINCKLER. We will supply it for the record.

Mr. THOMAS. Well, in the absence of that figure, we can assume that it will run somewhere from $1.25 to $1.50 a square foot, which is very cheap in the District of Columbia and——

Mr. WINCKLER. Well, Mr. Chairman, for the 6 months that these shops have been operated in fiscal year 1952, we have added arbitrarily ourselves, in anticipation of the question, a figure of what we think that rental should be. We were not charged for it but if we were charged on a comparable commercial basis, those three shops still operated at a profit for 6 months.

Mr. THOMAS. What rent were you charging against them?

Mr. WINCKLER. Well, I will give them to you by the shops.

On the motor-equipment shop, we arbitrarily added $11,000 for 6 months, which is about $22,000 a year.

Mr. THOMAS. Well, assuming that the other three are about the same, that would be $33,000 and so your $54,000 is just about gone out of the window in profit, if you charge the rents.

Mr. WINCKLER. No. As a matter of fact——

Mr. THOMAS. Because also you would be charging rent against the headquarters operation. How many of you gentlemen are there over at headquarters?

Mr. WINCKLER. Well, the total supervision for this is shown in the budget here.

Mr. LARSON. Nine people for 1952.

Mr. THOMAS. Sixteen people.

Mr. WINCKLER. The budget for 1952 provides $40,882 for 9 people.

Mr. THOMAS. Then if you are charging rent, you are in a hole, you have lost money.

Mr. WINCKLER. I think the important thing is comparing it with costs if work was done commercially.

Take for instance typewriter overhauling. We have included in this figure this arbitrary assumption that we were paying rent, and on overhauls of typewriters it averaged $16.12 per machine. The approximate commercial rate that we think is a very conservative comparison is about $23.60.

Now, we have some commercial contracts in some of our regional offices——

Mr. THOMAS. Mr. Winckler, are you trying to convince me that if you take a bunch of civil-service employees and that you will do a job in competition with private industry, if you are trying to do that, you are just wasting your time.

Mr. LARSON. Well, we are doing it, there is no question about that.

Mr. THOMS. Well, we do not think you are and there is no need to argue.

Mr. LARSON. I don't think there is any question.

Mr. WINCKLER. Well, we have contracts with commercial companies in other regions where we do not have these repair facilities, as in Hartford, New Haven, and Waterbury, Conn.——

Mr. PHILLIPS. If I may interrupt you, your point is going to be that those contracts are for higher figures?

Mr. WINCKLER. Yes.

Mr. PHILLIPS. What else did they charge, profit?

Mr. LARSON. Profit.

Mr. THOMAS. But they are paying taxes and so forth. Now, are there any questions?

(Under the chairman's leave for insertion of clarifying statements in the record there is presented the following statement:)

STATEMENT RELATING TO INCOME AND EXPENSE OF THE REPAIR SHOPS OPERATED IN THE DISTRICT OF COLUMBIA FOR THE 6 MONTHS ENDING DECEMBER 31, 1951

Under the provisions of Public Law 152, as amended, the General Services Administration is authorized to recover, so far as practicable, costs directly incurred in connection with the repair, rehabilitation, and conversion of personal property. Operating procedures are geared to economically render high quality service at price levels which are intended to recover costs, without profit.

The shops in the District of Columbia occupy Government-owned space as follows:

	Square feet
Office furniture repair shop	50,490
Typewriters and office machine repair shop	7,300
Motor vehicle repair shop	50,603

Income and expenses for these shops for the 6-month period follow:

Income represented by billings for services performed		$381,623.24
Deduct:		
Expenses and rental allowances:		
Operating expenses including labor, parts, supplies, etc	$338,072.23	
Rent allowance based on PBS rentals for comparable facilities	23,332.48	
Total		361,404.71
Excess of recoveries over expenses and rent allowance		20,218.53

It is apparent that the shop operations are not only solvent within the authorities of Public Law 152 but that the price levels established in anticipation of a rising market for parts can safely be reduced to more nearly reach the no-profit no-loss objective. Cost analyses are now being conducted to accomplish a general revision in billing rates.

Mr. YATES. I would like to ask a couple of questions about the Public Buildings Administration.

SPACE FOR WAR BONDS DIVISION OF TREASURY

I notice the statement in the justifications that the Public Buildings Administration periodically, to the best of its ability, checks on the use of space by the various Government agencies. Is that so?

Mr. REYNOLDS. That is correct, Mr. Yates.

Mr. YATES. Now, I wonder whether or not your Chicago office had occasion to check the War Bonds Division in the Bankers' Building last year. Did they do it?

Mr. REYNOLDS. I do not know specifically. They are expected to check all space at least twice a year. I will get a report on it and submit it for the record.

(The following information was supplied for the record:)

The United States Savings Bond Division of the Treasury Department is occupying space in the Bankers' Building, 105 W. Adams St., Chicago, Ill. Occupancy was under a lease transferred to GSA under Reorganization Plan 18 of 1950.

As of December 31, 1951, the Division employment consisted of 33 regular and 15 volunteer employees occupying 11,175 square feet of office space and 1,250 square feet of storage space.

Since that date and as the direct result of GSA space utilization surveys, 4,262 square feet of office space has been cancelled and 1,412 square feet reassigned to another agency, occupancy and storage space remaining relatively the same.

Mr. YATES. The story that I get is that there is a tremendous overuse, overuse of space—that is, overspace, an overamount of space that the agency did not use and that the lease was nevertheless continued.

Now, that prompts the question, have you found that in your leasing experiences throughout the buildings of the country that you were able to release space?

Mr. REYNOLDS. No, we have not. We have taken over a good many leases under plan 18 from time to time and we have been able, through our space utilization by actually going into the buildings and seeing what they were doing, to release a considerable amount of space and in

a great many cases put more people in them. Sometimes we inherit a lease that we cannot do much about and we had eventually to work it out the best way we could.

Mr. YATES. When you say you are tied up with a lease, you mean a lease some Government agency had previously made?

SPACE UTILIZATION IN DISTRICT OF COLUMBIA

Mr. REYNOLDS. Yes, we had them turned over to us and we have tried to work it out the best way we could.

I think there have been times when we have been guilty of the same thing in years gone by but generally speaking the space use in both the District of Columbia and outside has been the subject of very close study now for a year and a half.

We have been able to recover a great amount of space by utilizing it for other purposes.

Now, in the District of Columbia itself, we have been able to put into buildings which are financed by operating expenses some 24,000 defense people. That space does not have to be duplicated in "Emergency operating expenses."

We are doing the same thing throughout the United States.

We have accommodated, I think, about 4,000 emergency employees outside of the District of Columbia in space that was financed under the "Operating expenses" appropriation.

RAND-M'NALLY BUILDING

Mr. YATES. Are you familiar with the transaction by which the Public Buildings Administration took over the Rand-McNally Building in Chicago last year?

Mr. REYNOLDS. I know a little about it, not too much.

Mr. YATES. As I remember the transaction, it was one where the owners of the building had a lease which would pay them $100,000 a year. Now, did not the Government come in and offer to pay them much more? What is your understanding of the transaction there?

Mr. REYNOLDS. I think, Mr. Larson, you were a little closer than I was in the original negotiations. Do you remember those figures?

Mr. LARSON. Well, it was handled by the Treasury Department. I do not recall what the rental was at the time. The rental is substantially less than what we would have been required to pay had we stayed in the Merchandise Mart. I think the lease calls for about $1 per square foot to which between 50 and 75 cents should be added for amortizing the cost of alterations, or say $1.50 as compared to $2.40 in the Merchandise Mart.

Mr. YATES. What is the building being used for now?

Mr. LARSON. It is in the process of being used for the bureau of Public Debt. There is a schedule of movement in and out, of movement in of the Public Debt as the tenants move out. The tenants have a schedule which has been agreed to of moving out as they can find space to move into.

Mr. YATES. And under what terms did the Government take over the building?

Mr. LARSON. I cannot recall the details, Mr. Yates, but over the period of the lease the average net cost to the Government, I think, is around $1.50. That includes amortizing the cost of renovation of the buildings to meet the requirements of Public Debt.

Mr. YATES. I thought it was closer to $2, as I remember the particular transaction. I will tell you frankly that some of the tenants came to me very much upset because they had to move and they said that the rental-property owner was getting something like $1 a foot from them, and I think the Government was paying something like $2.

Mr. LARSON. No. The figure that I recall is around $1.50, which included amortizing the cost of renovating the building and suiting it to the needs of Public Debt.

Well, going back to the history of that particular move and what required that move, you may or may not know that the Merchandise Mart was notified that the Public Debt would move into the old Dodge-Chrysler plant.

A contract was let for making a portion of the Dodge-Chrysler plant available to the Bureau of Public Debt because the owner of the Merchandise Mart had notified that he would require an increase in his rent of approximately $1 a square foot.

After checking around it was determined that that probably could be supported on the basis of the rental rates that were being charged in the remainder of the Merchandise Mart.

So, it was determined that a move would be made to the Dodge-Chrysler plant, which was idle and vacant and Government-owned and in the National Industrial Reserve, so that it had to be held in stand-by.

Well, about the time the contract was let, the Korean war came along and the Air Force took the Dodge-Chrysler plant back and it is now in the production of aircraft requirements.

In the meantime, notice had been given to the owner of the Merchandise Mart that the Government would not renew its lease, whereupon the Merchandise Mart leased that space to other tenants. So, there is no question that the Government would be required to increase its rental cost, by approximately $1 a foot; and, not only that, but the damage to the prospective tenants that had entered into contract with the owner of the building was another factor which confronted the Government.

In view of those circumstances an arrangement was initiated by the Treasury Department and worked out whereby the Government took over the Rand-McNally Building at an average cost of $1.50 a square foot, which is about 90 cents less than what would have been required if they stayed in the Merchandise Mart.

Now, those figures may be somewhat different, Mr. Yates. I am only recalling them out of my recollection.

Mr. YATES. Well, will you put in the record what the rental provisions were?

Mr. LARSON. Yes.

(The information requested is as follows:)

The lease on the Rand-McNally Building provides for $500,000 per year for 500,000 square feet, which is at the rate of $1 per square foot.

Amortization of the cost of alterations is estimated to increase this cost to

about $1.75 per square foot over the 5-year period of the present lease, but this is a maximum which would be reduced when the lease period is extended by exercising the option for renewals which cover 15 years.

Mr. YATES. What is the building being used for by the Public Debt; what type of use?

Mr. LARSON. Well, to house the Bureau of Public Debt in its regular operations.

STORAGE-SPACE PROBLEM

Mr. YATES. What about the question of storage space? This has been a problem with Public Buildings for some time; has it not? Has it not been a problem where to find storage space for Government records? What is being done by the Public Buildings in that, throughout the country? Do you have central depositories?

Mr. LARSON. Well, there have been established, as the result of financing by this committee, record centers in 7 of our 10 regions.

This year's appropriation request includes the amount necessary to establish three additional record centers, which would round out the 10 regions.

In addition to that, the separated civilian-employee records center, a consolidated civilian-employee record center, has been established at St. Louis, which, if the Congress goes along on the financing of these additional centers, would make a total of 11 record centers to service the agencies of the Government.

There has been a problem on space, as you indicated. There is still a problem on space.

There is also a problem of warehouse space for the operation of supply centers requiring warehouse space that would be adjacent to the centers of Government population, where the supply stores are operated.

Mr. YATES. What do you do when the activities of an agency are curtailed? Getting back to the Bankers Building, for example. I understand the Savings Bond Division has had its activities drastically curtailed and there is no more need for the use of that much space. What do you do?

Mr. LARSON. Well, Mr. Reynolds can speak more in detail on that than I can; but, as was stated here yesterday, this matter of the item in the appropriation "Real-property acquisition and utilization" is one which comes into play and one which plan 18 contemplated would bring about considerable savings to the Government.

Under the old system prior to Public Law 152, plan 18, and the amendments to Public Law 152, that space that you speak of which was under contract, would have been at a loss to the Government.

Mr. YATES. That is right.

Mr. LARSON. Under our operation, it is contemplated that internal revenue operations will be centralized from about six locations in Chicago under their pending plan before the Congress, which has passed the House, in this space.

EMPLOYEES IN GENERAL SCHEDULE GRADES 13, 14, AND 15

Mr. COTTON. I merely wanted to find out because the information does not seem to appear in consolidated form. In the entire General Services Administration how many supergrades do you have?

Mr. LARSON. They are listed on page 143 of part 2 which we were discussing this morning, Mr. Cotton. There are seven.

Mr. COTTON. These are supergrades, down to and including grade 16; is that right?

Mr. LARSON. That is correct.

Mr. COTTON. And the number of them is fixed, which means that they cannot be varied by your department; I mean, that is what is allowed to your department?

Mr. LARSON. By the President, the Bureau of the Budget, and the Civil Service Commission; that is correct.

Mr. COTTON. Now, is there any place in consolidated form here which gives how many 15's you have in your whole department? Can you tell the total number?

Mr. MEDLEY. We would have to supply that for the record, Mr. Cotton. We have it summarized on the green sheets by each appropriation.

Mr. LARSON. We do not have it consolidated.

Mr. COTTON. From 15's down, you can create as many as you have appropriations for; am I not correct in that?

Mr. LARSON. Well, we have to follow the Classification Act of 1949, of course, in any grade and that includes 15's. Anything above 15, we have to have an assignment of the grade from the Bureau of the Budget and the Civil Service Commission.

Mr. COTTON. Yes; if my memory is correct, a certain number of so-called super grades were allowed and it was left to the Civil Service Commission and the Bureau of the Budget to divide them up between the departments.

Mr. LARSON. That is correct.

Mr. COTTON. But from 15 down——

Mr. LARSON. Including 15.

Mr. COTTON. Including 15; from there downward, what is the situation in that regard? For instance, are you asking for more grade 15's for your fiscal year 1953, an increase in the number?

Mr. LARSON. Well, my recollection is that we do not contemplate the creation of any additional grade 15's.

Of course, a job will be set up and classified under the Classification Act and reviewed by the Civil Service Commission and if it qualifies it is allowed in that grade.

My recollection, from going over all of our programs, is that there is no creation of any additional grades of that classification. All of these programs in the General Services Administration are existing programs and the expansion is in volume of the workload which would not normally create additional top administrative personnel.

Mr. COTTON. How high would the grades be that would be included among your new employees?

Mr. LARSON. Well, not above GS-13's, as I recall, and I think that would be for the three new record centers that are established and the heads of those in the three regions might be grade 13.

Mr. COTTON. Would you provide for the record at this point the total number of 15's and 14's and 13's, you contemplate among the additional employees asked for in fiscal year 1953?

Mr. LARSON. Yes, sir.

(The information requested is as follows:)

Employment under all funds in grades GS–13, 14, and 15, 1952 and 1953

	1952	1953	Change
GS–15	71	68	−3
GS–14	169	163	−6
GS–13	355	351	−4

Mr. PHILLIPS. I have two routine questions, the first of which is off the record.

(Discussion off the record.)

AUTOMOBILES

Mr. PHILLIPS. How many automobiles do you have?

Mr. THOMAS. 243; I counted them.

(Discussion off the record.)

Mr. PHILLIPS. Now, will you just tell me the total number of automobiles you have?

Mr. CAMERON. We would start 1953 with 223.

Mr. PHILLIPS. Field and Washington?

Mr. CAMERON. That is right, and we would end the year with 233.

Mr. PHILLIPS. You would turn in 15 old ones and you want to buy 25?

Mr. LARSON. Yes.

Mr. PHILLIPS. How many of the 233 at the present time are in Washington?

Mr. LARSON. I think there are 19.

Mr. PHILLIPS. How many of the additional 10 will be assigned to Washington?

Mr. LARSON. Three will be assigned to our region III, which has headquarters in Washington, D. C.

Mr. PHILLIPS. Are you giving me both passenger cars and trucks?

Mr. LARSON. No; this is only passenger vehicles. Three of them would be in the Washington region.

Mr. PHILLIPS. Three of the new ones?

Mr. LARSON. But that would not be an increase.

Mr. PHILLIPS. Well, if you start with 19 and you ended up with 22, that sounds like an increase to me.

Mr. LARSON. I say that we would get three new ones for which we would trade in three old ones.

Mr. PHILLIPS. What do you use that big car for, that you drive up here on the Hill in the months that you are coming up here for your budget? You ought to sell it to an undertaker, to make a hearse out of; it is big enough for that.

Mr. LARSON. Well, some people think it is being used for morticians' purposes now when I am riding around in it.

Mr. THOMAS. The license number is 181.

Mr. LARSON. Let me make this statement: That I think it is a complete waste of money to invest in cars that big and as far as I am concerned I would never have invested in a car that big. It was passed on to me by my predecessor.

Mr. PHILLIPS. What do you use it for, outside of the month of February?

Mr. LARSON. Well, for administrative moving around over Washington throughout the year.

Mr. PHILLIPS. There are not really many times, are there, when an administration like yours has need for a car that big?

Mr. LARSON. I was just trying to point out that I would never have purchased a car that big.

Mr. PHILLIPS. How many cars are assigned to individual people?

Mr. LARSON. Only this one.

Mr. PHILLIPS. That answers another question I was going to ask: If any additional ones have been assigned to individuals since we saw you a year ago.

Mr. LARSON. No.

REFUNDS UNDER RENEGOTIATION ACT

Now, on this renegotiation account you testified to before, that is on page 44, and I presume that is volume II. You are testifying that you want money for the renegotiation accounts. I thought these renegotiation accounts worked both ways. Is this purely a renegotiation account to increase the allowance made to a contractor or a manufacturer?

Mr. MEDLEY. Briefly, that program is this, Mr. Phillips:

The 1943 Revenue Act authorized contractors where they had certificates of necessity canceled prior to the expiration of their 5-year accelerated amortization period, to come back in and under regulations prescribed by the old War Contract Price Adjustment Board, to claim for accelerated amortization above and beyond that previously granted, which would then enable them to recapture some of the excess profits which had been previously negotiated from them. This in turn brings tax refunds into the picture, so that the Bureau of Internal Revenue comes into the operation, too. Briefly, that is the problem and it applies only to war contractors of World War II and has no connection with the new 1951 Renegotiation Act.

Mr. PHILLIPS. It is pretty hard for the taxpayer to win either way; is it not?

Mr. MEDLEY. These contractors filed their claims after a careful study of the regulations previously promulgated by the War Contracts Price Adjustment Board. Roughly we have been paying about 20 cents on the dollar claimed—that is the way it has been working out.

RENOVATION OF THE WHITE HOUSE

Mr. PHILLIPS. Now, I would like to ask you some questions about the renovation of the White House.

Mr. PHILLIPS. I would like to find out as closely as possible what the renovation of the White House has cost us. You put $361,000 into it, according to your records, in addition to the $5,400,000 originally appropriated by the Congress, specifically for that purpose.

In addition to that, through your agency, you have accounted for about $800,000 for a de luxe bomb shelter for the Executive and bomb protection for all the rest of the secretarial force, costing about 10 percent of the amount spent for that bomb shelter?

Mr. REYNOLDS. May I speak to that?

Mr. PHILLIPS. Yes. I would be glad to have anybody speak to us because I would like to know what that White House is costing us.

Mr. REYNOLDS. I do not remember the exact figure but it is in the neighborhood of $5,650,000. I will have to put the exact figure in the record.

Mr. PHILLIPS. No; that is not right, unless you are going to get some money back. You have already spent $6,761,000 that I know about.

Mr. REYNOLDS. Not for renovation of the White House, not under that appropriation.

Mr. PHILLIPS. Well, I am trying to bring together all the sources from which money has been taken and put into the White House, Mr. Reynolds.

There was an original appropriation of $5,400,000.

Mr. REYNOLDS. That is right.

Mr. PHILLIPS. And you account this year for $361,000 additional. In addition to that, the emergency fund had taken—will you please get me that record, the emergency fund record—$803,000 at one time and $361,000 and $51,000.

Mr. THOMAS. $361,000 deficiency.

Mr. PHILLIPS. I have that, and $68,700, if I recall—well, let us not take the time to look it up, the appropriation was $70,000 and about $68,300 was used of that, and the other appropriations were for $803,000, and they all go into the White House, whether they go through your hands, or into your funds.

Mr. REYNOLDS. Well, the White House itself is $5,761,000 which does not include the original appropriation of $50,000 for study to find out exactly how serious conditions were.

Mr. PHILLIPS. Now either you or Mr. Grover wants $40,000 to make some nice plans on linen.

Mr. REYNOLDS. That was my request, at the request of the White House Commission and I agree that these drawings should be in record form.

Mr. PHILLIPS. Do you not think, as a man who has had a great deal of experience in building, that the preparation of the set of plans is essentially a part of the money appropriated for the renovation of the White House?

I repeat what I have said on previous records, not before you, but other witnesses, that this Commission has several times come up before this subcommittee and said specifically that it was not going to exceed $5,400,000 and then it went to another subcommittee and asked for $361,000 additional, and now it comes up through you and asks for $40,000 for plans.

Would you not have prepared those plans out of your original appropriation if you had been assigned this job, of $813,000 plus $55,000 or $868,000, out of the emergency fund, and an amount of $68,000 that was taken out, as I pointed out a moment ago, for protection for all the rest of the staff? Not all of that was spent, as I understand, although it may have been spent by now, as of that time about $68,000 I think was spent.

I am trying, you see, to find out how much this renovation of the White House is actually costing. Can you help us?

Mr. REYNOLDS. I think, Mr. Phillips, to be fair about it, the estimate originally of $5,400,000 was an extremely good estimate. We would have built it within this fund if it had not been for the Korean situation and the delays and price increases that took place and there were some betterments put in there by the White House Commission itself which we had not included in our original plans and estimate.

Mr. PHILLIPS. Mr. Reynolds, the Commission has testified exactly the contrary. It testified it had to leave out betterments in order to keep it down.

Mr. REYNOLDS. Well, I can give you some examples of betterments that we did not include in our original estimate. For instance, the corner rooms on the third floor were not usable, they were just storage places and we changed the roof to enlarge those so they could be used. We have done a lot of other things.

Mr. PHILLIPS. I think you are probably right and I think that your testimony is more apt to be accurate, more so than the testimony of the others, because I think what they left out was a little fancy work around the mantels or something like that.

Mr. REYNOLDS. That is right. However, I think that the original estimate was superb, extremely well done, considering the facts that we had before us.

Mr. PHILLIPS. Did you build some additional features which were not actually a part of the original White House restoration?

Mr. REYNOLDS. We directed the work only. We did not design it. As a matter of fact, it was designed by the Corps of Engineers.

Mr. PHILLIPS. Are you responsible for the amount spent on it?

Mr. REYNOLDS. We were responsible only to the extent of seeing that it was properly built; yes. We are not responsible for the design.

Mr. PHILLIPS. Well, have there been any other expenditures of the General Services Administration budget to your knowledge that have not been accounted for directly and openly as the cost of the White House?

Mr. REYNOLDS. There were some preliminary studies and drawings that we made.

Mr. PHILLIPS. And that you assumed?

Mr. REYNOLDS. We assumed it.

Mr. PHILLIPS. Absorbed would be the word; $50,000 in round figures?

Mr. REYNOLDS. I would not be surprised.

Mr. PHILLIPS. Well, you would not be heartbroken if you did not get those linen plans this year, would you?

Mr. REYNOLDS. I would like to see it done, Mr. Phillips. I want to get the job over, I want it completed properly and not have to go back and struggle with it again.

Mr. PHILLIPS. Off the record.

(Discussion off the record.)

MICROFILMING

Mr. PHILLIPS. Mr. Grover, how much did we give you for microfilms?

Mr. GROVER. $55,000.

Mr. PHILLIPS. By the way, have you been able finally to use all of those old cases that you had down in the basement?

Mr. GROVER. Yes, we have used and are using those in security areas in the record centers.

Mr. PHILLIPS. Why should we give you money at the rate of $350,000 to be available for more records centers when you are microfilming the material?

Mr. GROVER. There are a lot of records involved here. The records that we hope to microfilm are those that have to be kept indefinitely. The records going to the record centers, at least 95 percent of the records going there, are records that are scheduled to be destroyed completely in a period of 5, 10, or 15 years.

Mr. PHILLIPS. Whose idea was it that we should keep all records for 30 years after a Federal employee dies? Is that Congress?

Mr. GROVER. Mr. Phillips, there has not yet been a definite recommendation made to Congress on that.

Mr. PHILLIPS. Is it necessary to keep them for 30 years, Mr. Grover?

Mr. GROVER. We think, if we can work up a method that is economical to do it, we can get rid of them 2 years after an employee dies.

Mr. PHILLIPS. How much space will that save you, roughly?

Mr. GROVER. Probably around 50,000 square feet of space.

Mr. PHILLIPS. That is pretty close to a record center, is it not?

Mr. GROVER. Well, the average regional record center is about 200,000 feet.

Mr. PHILLIPS. How do you cross-index your material that you put in, are you using IBM machines?

Mr. GROVER. No, sir. That is too expensive, Mr. Phillips. We use a very simple method.

Mr. PHILLIPS. Would it be too expensive over the years or just too expensive for installation?

Mr. GROVER. I think it would be far more expensive than it is worth for records that are of temporary value, that is for 5, 10, or 15 years.

Mr. PHILLIPS. I asked that question because one very important agency in Washington has just gone to IBM machines for that type of work, but it is an agency that has to do with a different type of recording, it has to get the information very quickly when it wants it.

Mr. GROVER. We can get the information very quickly; in 24 hours we can get it back to an agency.

We have had some experience with the IBM cards and that process can use up a lot of money.

Mr. PHILLIPS. The minority side of this subcommittee is in a very difficult situation when the chairman has continued his interrogations for a day and a half, because there is not very much left for us.

Mr. LARSON. Off the record.

(Discussion off the record.)

TIRE-TESTING PROGRAM

Mr. PHILLIPS. Now, coming back to your tire-testing processes—is a tire tester here?

Mr. LARSON. Yes, Mr. MacLeod is still here.

Mr. PHILLIPS. Well, I would just like to put this in the simplest way. You have set up a very detailed requirement for tires for which we taxpayers pay about $125,000 a year. Now, why would you not get just exactly the same results—and Mr. Cotton would like to know,

together with me—by writing the contracts with the companies saying that they had to guarantee that their tires would deliver so many miles—say it was 19,000 miles—and if they did not last that long, then give credit on the tires, and let them do the testing.

Mr. MacLeod. Up until 2 years ago, Mr. Phillips, there was no basis for measuring serviceability. This project has established a standard basis for doing it.

Mr. Phillips. That is not answering my question, that is giving me a statement on testing tires.

What I want to know is why you cannot write a contract with tire companies whereby they would say that they guarantee the tires purchased by the United States Government to run 19,000 miles, and if they do not run 19,000 miles then they can give us a proportionate credit on the amount that the tires do not run. We would save $126,000 a year, would we not?

Mr. MacLeod. That is precisely what we are doing, Mr. Phillips. We are writing a contract in our Federal supply schedule that refers to a specification which stipulates the serviceability the tire must render.

Mr. Phillips. Then, we can take $126,000 out of the budget for next year, can we not?

Mr. MacLeod. Well, if you do, we have no way to determine whether in fact we are getting the serviceability contracted for.

Mr. Phillips. You have odometers on your cars?

Mr. MacLeod. Yes.

Mr. Phillips. I am serious about this. Why can you not say to the Goodrich Co., for example, that they have got to deliver tires that will run for 19,000 miles? I will bet they will take the contract.

Mr. MacLeod. Without a basis of checking, you would have no way of measuring performance. In other words, when you get a guarantee on a commercial tire and you attempt to get a credit on that model—they are going to deduct a certain adjustment and then you have to show cause yourself as to whether you bruised the tire carcass accidentally.

Mr. Phillips. That is all right if I buy a tire. How many tires do you buy?

Mr. MacLeod. We pay an average of about $12 to $13 for a carcass, about $20,000,000 would be the annual total for the civilian agencies.

Mr. Phillips. You do not think that anyone in the major companies would be glad to sell you $20,000,000 of tires on the basis that those tires would have to run 19,000 miles and no argument as to whether you bruised them or not?

Mr. MacLeod. Yes; they may, but I do not think any one company would wish to take the whole thing.

Mr. Phillips. I recognize that.

Mr. MacLeod. But the point is that we are entering a contract precisely of the character you suggest and this system of control is the basis on which we measure the contractor's performance under that contract. In other words, without this system, of course, we are not able to gage the performance of the contractor. That is what this does in effect to gage the performance under that contract.

Mr. LARSON. Yes; but, Mr. MacLeod, what Mr. Phillips is asking, as I understand it, is why you do not gage the performance from the speedometer reading between the time the tire is put on and the time it is taken off.

Is that not your point, Mr. Phillips?

Mr. PHILLIPS. Yes.

Mr. MACLEOD. Well, it is a combination of characteristics.

Mr. LARSON. Then, why can you not? Answer it directly.

Mr. MACLEOD. Because you cannot do it that way. You cannot do it on straight mileage basis because there are so many other factors entering into it.

Mr. LARSON. Well, why can you not do it if the company agrees to it?

Mr. MACLEOD. Well, we tried, for example, to measure the mileage savings of tires on post-office trucks. But there were so many variables in the conditions, the driving and weather canditions, and there were differences in those variables which caused variations in accidental damages to carcasses of tires and cuts and other factors entered in which make it totally unfair to try to judge the merits of the tires on that basis. There are too many variables; for instance, you have the quick starts and the stops and——

Mr. PHILLIPS. Well, that is clear enough as an argument, where I buy four tires for my car, but I do not know whether I will accept that argument when there are $20,000,000 of tires.

Mr. LARSON. The answer is that the tire companies will not enter into this contract.

Mr. MACLEOD. That is my understanding.

Mr. LARSON. They want to make a distinction, for instance, between tires on pavements and tires on unimproved roads as for the National Parks Service.

(Under the chairman's leave to insert clarifying material in the record there is presented the following statement:)

STATEMENT COMPARING QUALIFICATION TESTING OF TIRES WITH MILEAGE SERVICE CONTRACTS AND MILEAGE GUARANTEE CONTRACTS

All three methods of contracting named above were thoroughly evaluated before the decision was reached that qualification testing was the most efficient and economical method. Comments with respect to each method follow:

1. Tire service contracts.—Contracts of this nature are practical where relatively few terminals handle large concentrations of vehicles with little variation in tire sizes and operating over well-established routes, such as transit systems. This method is not suited to the Government's needs because: (*a*) Federal agancies require a wide range of sizes; (*b*) garaging facilities are so greatly decentralized over the entire country that a large number of employees would be required to maintain appropriate records; (*c*) the bulk of the Government cars do not operate over established routes; and (*d*) significant variables in road conditions and use of cars would require extremely complex contract provisions at substantial price variations.

2. Mileage guarantee contracts.—The main objection to this method of contracting is the heavy additional cost it would impose on the Government, both direct in the prices paid for tires and indirectly by way of the detailed record keeping required on each tire and the negotiations for credit on undermileage tires. For example, Sears, Roebuck & Co. give an 18-month guarantee based on an average driving of 10,000 miles annually or 15,000 miles for the full guarantee period. In order to raise the guarantee to the 19,000-mile immediate goal of the new Federal specifications, the guarantor would be faced with guaranteeing an additional 26.7 percent tire life and would of necessity require payment in the way of higher prices to cover the risks involved. It is estimated that the

increased mileage guarantee of 26.7 percent will result in a price increase of not less than 5 percent. When applied to annual purchases by civilian agencies of about $20,000,000 this would increase the Government's direct tire costs by $1,000,000 annually. As contrasted to this the qualification testing program contemplated in this estimate is geared to achieve the 19,000-mile serviceability at an annual cost of only $128,000.

3. Qualification testing (budgeted program).—The budgeted program contemplates the elimination from Government use of tires which after tests are found to be below the specification standards of 19,000 miles serviceability, at a direct cost many times less than the guaranteed mileage plan. In addition, it obviates the detailed record keeping on each tire, including its rotation among vehicles, and the extensive negotiations required in connection with each case of tire failure within the guaranty period.

Mr. PHILLIPS. One more question, Mr. Larson. How come you are not in this year with a request for money to take the agencies of the Government out to the periphery around Washington?

Mr. LARSON. Well, just give me time, Mr. Phillips.

Mr. PHILLIPS. What has happened to that request? Is it up this year?

Mr. LARSON. There is an item of $15,000,000 in the submission of the budget to the Congress as a likely supplemental.

Mr. PHILLIPS. But it is not in this budget before us?

Mr. LARSON. Not in this budget.

Mr. PHILLIPS. That is all, Mr. Chairman.

Mr. THOMAS. Thank you, gentlemen, very much.

Mr. LARSON. Mr. Chairman, could we have the privilege of submitting some tables and some clarifying statements on points that were left up in the air, for the record?

Mr. THOMAS. Yes.

Mr. LARSON. Thank you.

DEPARTMENT OF COMMERCE

MARITIME ACTIVITIES

MONDAY, FEBRUARY 25, 1952.

WITNESSES

VICE ADM. E. L. COCHRANE, CHAIRMAN-ADMINISTRATOR, MARITIME ADMINISTRATION
EARL W. CLARK, DEPUTY MARITIME ADMINISTRATOR
H. M. HOCHFELD, ASSISTANT TO THE CHAIRMAN
RICHARD A. SPENCER, BUDGET OFFICER, MARITIME ADMINISTRATION
CAPT. L. E. MEANY, FISCAL OFFICER, OFFICE OF MARITIME TRAINING

MARITIME TRAINING

Mr. THOMAS. Mr. Reporter, will you insert the Maritime Supplemental estimate for 1953, pages 1, 2, and 3. As I understand it, this is a supplemental estimate of $65,000 for fiscal year 1953 for maritime training as contained in House Document No. 362. We have already gone into the general situation in discussing the additional amount for 1952.

(The matter is as follows:)

MARITIME TRAINING, FISCAL YEAR 1953

(H. Doc. 362)

Request for 12 months from July 1, 1952 ..... $65,000

DIRECT EMPLOYMENT

Average number, current estimate	[1] 540
Number involved this estimate	6
Actual employment, December 31, 1951	515

[1] Average direct employment of 540 includes 13 man-years reimbursable from non-Federal sources which are being added in the latter half of fiscal year 1952, 5 man-years for seamen service records activity financed from "Salaries and expenses, maritime activities," in fiscal year 1952, and 6 man-years for expanded radio refresher training activities provided in the President's budget, fiscal year 1953.

PURPOSE AND NEED FOR SUPPLEMENTAL FUNDS

Refresher training courses for engine and deck officers to alleviate shortages in these skilled ratings, $65,000.

The situation requires urgent action because costly delays are occurring in sailings of Government-operated ships due to crew shortages.

MARITIME TRAINING

Justification

The President's budget for fiscal year 1953 provided for upgrade and specialist training in a variety of courses of instruction for experienced officers and seamen of the merchant fleet to meet the requirements of the industry for trained personnel. Since the President's budget was prepared, an unexpected demand for skilled shipboard personnel, primarily in the categories of licensed deck, engine, and radio officers, has developed. To meet this demand, a supplemental budget estimate for fiscal year 1952 was submitted to the Congress on February 14, 1952, to provide for expansion of radio, deck, and engine upgrade specialist training courses at the Sheepshead Bay Training Station. In this estimate it was pointed out that the removal of approximately 700 merchant ships from the reserve fleets for Government operation since the Korean conflict began has created an unexpected and unfulfilled demand for skilled shipboard personnel, primarily in the categories of licensed deck, engine, and radio officers. This demand is steadily increasing, and during the last 3 months of calendar year 1951 an average of 30 to 40 ships were delayed for an average of 3 to 4 days each due to shortages primarily in these skilled ratings.

Publicity campaigns via newspapers, radio announcements, and statements by the Maritime Administrator have brought back to sea some skilled seamen from their shore positions, but not in sufficient numbers to meet the current demand. Many more ex-merchant-marine officers have indicated, however, that they would return to sea for this emergency if their licenses which they held in prior years had not lapsed. To renew these licenses, an examination is required and refresher training is essential preparatory to passing the examination. Other seamen hold valid licenses but lack confidence in their ability to handle a shipboard position because of the time they have been away from the sea. These men would return if they were given the opportunity for refresher training.

By circularizing a segment of lists of merchant-marine officers who were enrolled in the United States Maritime Service upgrade and specialist-training courses during World War II, a fairly accurate estimate has been obtained which indicates that 24 radio officers, 25 deck officers, and 25 engine officers could be obtained each month if training were available for them. This training would enable these ex-seamen to renew their licenses or to regain confidence in their abilities to handle the highly specialized shipboard jobs which they left as far back as 5 or 6 years ago.

The supplemental budget for fiscal year 1952 provided for expanding the radio, deck, and engine officer courses to provide 30-day courses with provision for an

extension of the training for those men who need more preparatory training. The estimate provided for the initiation of this training during the last 3 months of fiscal year 1952 to train an average of 24 radio operators, 25 deck officers, and 25 engine officers per month.

This request for amendment to the fiscal year 1953 estimates provides for extending these additional upgrade specialists training programs on an annual basis throughout fiscal year 1953. Inasmuch as request has already been made for establishing the radio operator program in the regular annual appropriation request for fiscal year 1953 presently pending before the Congress, no additional request is made for radio operator training in this amendment to the 1953 estimate.

The extension of these upgrade specialist training courses for deck and engine officers throughout fiscal year 1953 is considered essential at this time in view of the fact that the general agency ship operations program contemplated for fiscal year 1953 is estimated to be equal to, if not in excess of, that existing at the present time. It is the considered opinion that crew shortages involving costly delays in the sailings of these ships will continue to be aggravated throughout fiscal year 1953, and that this means of providing a limited number of additional qualified officers will result in far greater savings by the elimination of the cause of many of these delays.

The following explanation is given of the amount required for this program for fiscal year 1953:

Personal services, $31,000

The estimate provides for the employment of six (5.8 man-years), consisting of four for instruction, one for clerical and record keeping, and one for barracks and utility maintenance. The positions for instructors provide two each for the deck and engine courses.

The estimate of 5.8 man-years provides for the filling of these positions on a full-year basis, making allowance for a slight lapse. The cost was calculated on the basis of providing basic pay for four officer instructors and two enlisted personnel, amounting to $22,400, and quarters and subsistence allowances of $8,600.

Other expenses, $34,000

The estimate provides for $17,600 for provisions for staff and trainees at the rate of 87.3 cents per day per man. This is calculated to provide subsistence for 600 trainees during the fiscal year.

The estimate also provides $12,500 for supplies for maintenance of barracks and classrooms, and $2,600 for training supplies and materials at the rate of $4.30 per trainee. The balance of $1,300 provides $1,000 for laundry expenses and $300 for FICA taxes.

WEDNESDAY, FEBRUARY 13, 1952.

INTERSTATE COMMERCE COMMISSION

WITNESS

JOHN V. LAWRENCE, MANAGING DIRECTOR, AMERICAN TRUCKING ASSOCIATION

Mr. THOMAS. Will the committee please come to order.

We have the pleasure of having with us this afternoon our distinguished friend of many years, Mr. John V. Lawrence, managing director of the American Trucking Association. Mr. Lawrence, we are delighted to have you with us. You are always welcome and we are pleased to listen to anything you have to say to us.

Mr. LAWRENCE. Thank you, Mr. Chairman.

GENERAL STATEMENT

Mr. LAWRENCE. I think I appeared here a couple of years ago Mr. Chairman and at that time I felt a little out of order with the first appearance I ever made suggesting that this country spend money on the industry at that time. I felt less compunction because of the heavy excise tax payments this industry made into the Federal Treasury.

I think, however, there is more and more feeling along that line today because we make heavier contributions in the gasoline excise tax and there is a higher percentage of excise on every piece of equipment we buy.

There has been a change in that picture. Two years ago I stated that $19,000,000 in gasoline excise tax alone was paid by those class I carriers of property governed by the Interstate Commerce Commission. In 1950 that was $24,800,000, and $28,000,000 last year and it will go up in 1952 because it will reflect the increases imposed this last year, one-half cent more on gasoline and 2 cents on our diesel fuel.

I take the case of the purchase of the ordinary type tractor-semitrailer. Before you turn a wheel the Federal Government I said then collected $490 in excise tax and it now is $784.

EMPLOYMENT—BUREAU OF MOTOR CARRIERS

Our folks feel in this case they have some grounds for the requests they make and I want to submit to your Committee, Mr. Chairman, this resolution adopted by the board of directors of the American Trucking Associations expressing their views. This was the action of our national meeting in Chicago in October past. We found the number of employees of the Bureau of Motor Carriers had been reduced from 1,293 to 738 in the past 10 years and now they are down to 669, I believe. In the meantime, the growth of our industry which is under their jurisdiction has greatly increased the volume of work they handle. It has doubled.

SAFETY

There are a couple of factors in there. First of all, the matter of safety. I think there may be some misunderstanding as to what we deem is the function of the Interstate Commerce Commission and its Bureau of Motor Carriers in respect to safety. With 1,000 men in the field they could not completely enforce regulations. But in the first place you have engineering; then education; and in the third place there is enforcement.

The biggest job they have done over these years has been in engineering. They have taken the laws of the various States that were in existence at the time they came into being and developed the best as their rules and then sold them to the States to get some uniformity. We know what a lack of uniformity can result in when a driver makes a Cleveland turn, as we call it, a wide sweep right out in front of you.

The second is educational and we believe that has been covered. The Bureau of Motor Carriers has been a center of information for safety people everywhere.

HOURS OF SERVICE

Above and beyond enforcement the record of hearings on the Motor Carriers Act when first before the House Interstate Committee shows that witnesses for the State governments maintained that under State law they had no control over hours of service of interstate employees. That was a big complaint. They could only control the hours a man drives in their State. In the larger States like Texas and California you go a long way without leaving the State but in the smaller States that is not the case.

Under State laws a man could work continuously 20 hours through two or three States. If that regulation was set aside about 1 million employees would have no hours of employment regulated.

CERTIFICATES

Another phase is certificates and permits and other applications required by the act. It may be said that favors the big man. My experience of 18 years is that the larger fellows can take care of themselves. They have the money for lawyers and can take plane trips to Washington themselves. In any situation that arises he gets there first and by making enough noise gets action. The smaller man just sits there almost discouraged completely because months go by without action—so he appeals to his Congressman.

PRESENT STAFF UNABLE TO FULFILL ITS RESPONSIBILITIES

In this latest annual report, the sixty-fifth, it shows definitely that they have ground, they have lost a couple of hundred in the last months. They had a backlog of about 3,806 applications of all kinds pending a year ago October, that is everything from rights to what-have-you. They have lost about 225. The backlog runs to about 4,030 or thereabouts as of last November. It has become so in the Bureau that they closed up so many facilities. They maintained tariff files so that shippers in Portland, Oreg., or Los Angeles or their other district offices could go to these files and find a complete set of them to check rates. These are no longer kept up for lack of personnel.

I think the report that we have from the Commission this time—and I have read 15 or 16 of them over the years—is probably the most realistic and the first time they have set down the need for personnel. I know as we study all this legislation we hate to urge the Federal Government to spend additional money; but here we have an agency whose work has been expanding and its staff is contracting. Probably there are other cases where agencies are expanding, and without too much idea as to what they are doing. Talking to my men I notice they are trying to entice them away from us. I have found much of that.

Here we have the logical agency to handle it and the general feeling in the industry is that there are no people to do the job because of this personnel situation. They are not getting the young men in and the older ones are being retired or are losing efficiency.

We urge the committee to give careful consideration to all these factors—particularly on this safety question alone. There were about 39,000 deaths in this country last year from traffic accidents. That is

over 1 billion man-hours of work. The people injured lost about 120 million man-hours. The property damage was $20,000,000 a year.

Anything that can be done in a modest way for our people who are shelling out Federal excise taxes and taxes of a special character will certainly be appreciated, Mr. Chairman. We ask that some consideration be given to this administrative budget.

We represent all carriers and about 19,000 are subject to this jurisdiction of the Commission.

Mr. THOMAS. A very nice statement. There is a large field for thought in it and we will give it real consideration.

Mr. LAWRENCE. Thank you, Mr. Chairman.

(A resolution submitted to the committee is as follows:)

RESOLUTION ADOPTED BY THE BOARD OF DIRECTORS AMERICAN TRUCKING ASSOCIATIONS OCTOBER 26, 1951, CHICAGO, ILL.

Whereas the number of employees of the Bureau of Motor Carriers has been reduced from 1,293 to 738 in the past 10 years, and under the 1952 appropriation must be further reduced to 669 for a total reduction of 48 percent; and

Whereas with its present staff the Bureau is unable to fulfill its responsibilities under the Motor Carrier Act, with respect to the handling of formal proceedings, highway safety work, and enforcement of the statute and the regulations promulgated thereunder; and

Whereas, under the 1952 appropriation the Bureau must completely eliminate the staff handling safety regulation of commercial highway operations, a function not duplicated or performed by any other governmental agency, and must drastically curtail its enforcement program and further slow down handling of formal proceedings; and

Whereas, although American Trucking Associations, Inc., is in full accord with the drive to promote economy in government, the reductions made in the Bureau's expenditures over the past 10 years clearly distinguish that agency from other Federal agencies, most of which have greatly increased their expenditures; and

Whereas American Trucking Associations, Inc., recognizes the necessity of enforcement and adequate administration of the provisions of part II of the Interstate Commerce Act and the necessity of a Bureau of Motor Carriers staff able to fulfill its responsibilities, particularly during the emergency with which the country is now confronted: Therefore be it

Resolved, That the board of directors of ATA expresses its desire for an appropriation for the Bureau of Motor Carriers, Interstate Commerce Commission, large enough to provide a staff which can accomplish the objectives of the national transportation policy; be it further

Resolved, That the staff and officers of the association are hereby directed to devote their efforts to the achievement of the purposes stated in this resolution; be it further

Resolved, That a copy hereof be sent to the Chairman of the Interstate Commerce Commission, the Director of the Bureau of the Budget, and to the chairman and all members of all congressional committees that deal with budget matters, and other agencies having responsibility in these premises.

I, Clarence I. King, assistant secretary of American Trucking Associations, Inc., do hereby certify that the above is a true and exact copy of the resolution adopted by the board of directors of the American Trucking Associations on October 26, 1951.

WEDNESDAY, FEBRUARY 13, 1952.

NATIONAL CAPITAL HOUSING AUTHORITY

WITNESSES

HOWARD D. WOODSON, CHAIRMAN, FAR NORTHEAST COUNCIL, WASHINGTON, D. C.
BERNARD C. CHAPMAN, PRESIDENT, FAR NORTHEAST COUNCIL
H. B. CHINN, SECRETARY, FAR NORTHEAST COUNCIL
WILLIAM O. WOODSON, PRESIDENT, CAPITOL VIEW CIVIC ASSOCIATION
WILLIAM T. RAWLINGS
MR. JORDAN
MR. TANCIL

Mr. PHILLIPS. We have with us today Mr. H. D. Woodson of the Far Northeast Council accompanied by about 25 other people from the council. I think I will let Mr. Woodson make his statement if you would like to give us the names of those presently appearing with you, Mr. Woodson, you may furnish them to the reported for the record.

Mr. H. D. WOODSON. Thank you, Mr. Chairman.

GENERAL STATEMENT

We thank you very much for this opportunity to appear before you. We knew we were coming before friends who would give us a considerate audience and consider, not necessarily favorably, but justly, what we consider a very serious situation.

Mr. PHILLIPS. Perhaps the record should show the reason you came to this subcommittee because this, apparently, has to do with some action or intent on the part of the National Capital Housing Authority.

Mr. H. D. WOODSON. It does and it is a continuation of the same problem we had at Barry Heights and Marshall Heights and this committee appreciates what you did at that time, Mr. Chairman.

The present Government proposal is to build low-cost housing in the far northeastern portion of the city which is a part of the redevelopment of the northwest and southwest of the District of Columbia.

Here they leave the homes and destroy the value by making low-rent housing for occupants of slum areas and thereby making the area where we live a slum area. Many of the homes in this area are some of the best in the city and are valued from $15,000 to $40,000.

For the past 40 years we have been laboring and have seen this area develop from farm land to first-class residential housing with improved streets, sewers, water mains, recreation areas, schools, and modern facilities which came because of the prodigious work and civic interest of the citizens of this area.

The land they propose to take for public housing is some of the best remaining for development for private homes. Due to the policy of the real-estate developers we are restricted to a few areas of which this is one of the largest. Capitol Street is a proposed entrance for traffic from the highway from New York, through New Jersey, over the Delaware River and through Delaware and Maryland to Chesapeake Bay, from Annapolis to Washington. East Capitol will be 160 feet wide and will have a landscaped boulevard.

Should such a thoroughfare be lined with low-cost housing? If you leave us alone, it will be lined with beautiful homes owned by the occupants and an improvement, no doubt, over the fine homes now lining this street in Capital View.

We have some pictures which we would like to show to the committee, Mr. Chairman, and these will be run through the Kodaslide machine we have here if the committee will give us the time.

Mr. PHILLIPS. You may proceed with your demonstration.

(Dr. Collins, a member of the delegation, then showed the committee a series of slides, in color, being pictures of the homes owned and occupied in the area in question and said to be of values from $15,000 to $40,000.)

Mr. PHILLIPS. Will you describe the area on the map for me?

Mr. H. D. WOODSON. This is Benning Road. This is East Capitol Street.

Mr. PHILLIPS. Where is Good Hope Road?

Mr. H. D. WOODSON. That is out of our area. That is the northeast.

We want to say that those marked in red indicate the proposed housing. This housing is Parkside housing project. That is Lily Ponds housing project, 492 units. Parkside is 54 units. Scattered over this area where there are red marks, there are temporary housing built at the start of the Second World War. They have been there for 10 years and may be there for 10 or 20 years more. This is Fiftieth Street, Lincoln Heights housing project.

Mr. PHILLIPS. Show us on the map where the proposed highway is to go—the development which you do not want lined with Federal low-cost housing.

Mr. H. D. WOODSON. This is East Capitol Street. This is the approach for East Capitol Bridge. Here is the Anacostia River and the Bennings Bridge. This is Fiftieth Street and this is the proposed Richardson housing—190 units.

Mr. PHILLIPS. In order to put the housing in the area here, how shall we identify it, Mr. Woodson?

Mr. H. D. WOODSON. It is between Blaine and Central Avenue between Fifty-fifth and Sixty-first Streets.

Mr. PHILLIPS. You say the plan is to take away the existing private housing?

Mr. H. D. WOODSON. Yes, sir. Some of that land is vacant and there is housing in there and they will wipe it out. There is a home for unwed mothers. They have the property they intend to build on.

Mr. PHILLIPS. How much of that land would you say was presently in private ownership in the hands of people who live on it themselves and have their own homes there?

Dr. COLLINS. I would roughly estimate 50 to 60 percent.

Mr. H. D. WOODSON. The National Capital Housing Authority does not operate low-rent housing. It collects from $70 or more per month from a large percentage of its apartments and this is in competition with private housing.

We request you to examine the books of the National Capital Housing Authority whose rental program is a well-kept secret. If those who can afford the going rent of private real estate operators should vacate the low rent housing they now occupy, it would not be necessary to build more housing of the low-income groups. In the redevelopment of the northwest and southwest sections of this city the destruction and rebuilding should be performed a few blocks at a time and the displaced persons should be rehoused in the same areas where they now live. To acquire land occupied by home owners and turn it over to commercial interests at a low price for redevelopment is an abuse of governmental power. Commercial interests should pay market prices for the land they own. For the record I wish to repeat our main argument that if in the redevelopment of the northwestern and southwestern sections of this city the destruction of slum areas and rebuilding of those areas should be performed a few blocks at a time and those displaced persons should be rehoused in the same areas where they now live. The procedure would eliminate the necessity of building any low-rent housing in any other section of this city.

About 15 or 20 years ago the Home Owners Loan Corporation proposed the redevelopment of the southwest section of the city; when Congress at that time ordered that the then present occupants of that area must be rehoused in the same area, the whole redevelopment program was dropped. If the present occupants in the area to be redeveloped were rehoused in the same areas it would not be necessary to ruin our areas to provide homes for slum dwellings in our community.

The National Capital Housing Authority is the bureaucracy which uses Federal Government money to operate in competition with private business.

I would like to have Mr. William Woodson, president of the Capitol View Civic Association, speak.

Mr. PHILLIPS. How far has this plan developed and what is the present status of the whole idea of developing the area?

Mr. H. D. WOODSON. No condemnation proceedings definitely as yet. They have been surveying, however.

We have data we will submit to your committee showing the net incomes of the occupants of one of the housing projects and it shows that the majority of the people have a net income from $2,500 to $3,000 and they pay rents of from $50 to $58 a month in this low-rent housing and the others go over $70. We will file that with your committee.

Mr. PHILLIPS. That will be put in the record. Will you identify this by saying it is a record of people who live in a similar district in the Washington area?

Mr. H. D. WOODSON. Yes.

(Statement referred to follows:)

Scale of rents based on net family income after deducting $100 for each minor member of family, Lincoln Heights

Net income at or below	Gross rent	Less allowance for tenant furnished utilities [1]	Contract rent charge [2]	Net income at or below	Gross rent	Less allowance for tenant furnished utilities [1]	Contract rent charge [2]
$1,000	$17	$3	$14	$2,080	43	3	40
$1,060	18	3	15	$2,160	45	3	42
$1,110	19	3	16	$2,240	47	3	44
$1,200	21	3	18	$2,320	49	3	46
$1,280	23	3	20	$2,400	51	3	48
$1,360	25	3	22	$2,480	53	3	[3] 50
$1,440	27	3	24	$2,560	55	3	[3] 52
$1,520	29	3	26	$2,640	57	3	[3] 54
$1,600	31	3	28	$2,720	59	3	[3] 56
$1,680	33	3	30	$2,800	61	3	[3] 58
$1,760	35	3	32	$2,960	65	3	62
$1,840	37	3	34	$3,120	69	3	66
$1,920	39	3	36	$3,280	73	3	70
$2,000	41	3	38	$3,520	78	3	75

[1] Tenant furnished utilities consist of electricity for lights and refrigeration (estimated $1.75 per month) and gas for cooking (estimated $1.25 per month).

[2] No contract rent shall exceed the following maximum amounts for the indicated unit sizes:

1-bedroom unit	$52.50
2-bedroom unit	62.50
3-bedroom unit	70.00
4-bedroom unit	75.00

[3] Majority.

NOTE.—The above scale is subject to change by NCHA in accordance with changes in economic conditions.

Mr. PHILLIPS. Your proposed development would probably be along the same lines of little cost and occupancy?

We will hear from you, Mr. William Woodson.

Mr. W. O. WOODSON. Our boundaries start at Forty-seventh Street on the west and extend east to Sixty-first and Southern Avenue. The north boundaries are Blaine and Clay and the southern boundary is Central Avenue.

We have approximately 800 completed homes which are privately owned. These homes average $12,000. The price range at the time they were built some years ago ran from $6,950 to $15,000. Today the homes are selling from $15,500 up to $30,000 and $40,000.

We have a total valuation of approximately $10,000,000 in the area. We are opposed to the construction of these proposed 600 low-rent housing projects for the reason we feel it will definitely depreciate the valuation of our properties. We feel that bringing in the proposed families in which the National Capital Housing Authority claim that they want it for large families will very much depreciate the properties we already have there.

Mr. PHILLIPS. In your opinion, will the present occupants in the area be in there after the development is finished?

Mr. W. O. WOODSON. We feel that the people are located and own property in this area now. Some families will be forced to change from the area or rent their properties because they have sought the comforts and conveniences of private ownership and to get away from the tenement section of the city.

Mr. PHILLIPS. Where will the families come from who will subsequently be placed in that area?

Mr. W. O. WOODSON. According to the proposal of the National Capital Housing Authority they proposed to bring them from the slum areas of the northwest and southwest sections of the city.

Mr. PHILLIPS. Can you make a case as to the probable percentage of the condemnation price, to the actual value of the properties, which the owners will receive in condemnation proceedings in the process of cleaning out the property?

Mr. W. O. WOODSON. The only thing I can say on that is that I had one gentleman call and say that a representative of the National Capital Housing Authority had approached him and gave him an offer which was far less than he paid for the land.

Mr. PHILLIPS. Had he improved the land?

Mr. W. O. WOODSON. No, sir. Mr. Rawlins is here and can give you the price they offered him for his property.

Mr. PHILLIPS. Let me ask this question. Can anybody here having had experience in Marshall Heights or Barry Farms give any estimate of what home owners were offered or received in any of those areas?

Mr. H. D. WOODSON. When they were putting Suitland Parkway in Anacostia I had property in Garfield Heights I had paid for. I had paid a sewer assessment for the property and yet I could sell the property now for six times what the Government gave me. They would not allow me more than $150. I sold it at a loss at those condemnation hearings.

Mr. PHILLIPS. Continue, please.

Mr. W. O. WOODSON. We know that to bring in a project of 600 units where they have large families will make a crowded community. It is going to change the environments of the area and will create additional problems with respect to schools, transportation, the traffic problems, and public safety problems. We are confronted with those problems every day and have been fighting for the last 4 or 5 years for additional school facilities.

No consideration has been given in this project for additional school facilities to take care of the need by the additional people who are to be brought into the community.

Mr. PHILLIPS. When is it contemplated this would be finished?

Mr. W. O. WOODSON. Their proposal, and I have a letter here from Mr. Egan of the Public Housing Administration, Housing and Home Finance Agency. In his letter he has stated that they have progressed so far that they are ready to advertise for bids during this month. For that reason he was not in a position to do anything in the matter in our interests.

I would like to present this letter to the committee.

Mr. PHILLIPS. You can read it or give it to the reporter to be put in the record.

(Letter referred to follows:)

PUBLIC HOUSING ADMINISTRATION,
HOUSING AND HOME FINANCE AGENCY,
Washington, D. C., February 8, 1952.

Mr. WILLIAM O. WOODSON,
President, Capitol View Civic Association,
Washington, D. C.

DEAR MR. WOODSON: Your letter of January 23, 1952, with reference to the protest by the Capitol View Civic Association of the plans by the National Capitol Housing Authority to build a 600-unit low-rent housing project in the

Capitol View area, has been reviewed by us. Also received was a copy of your letter of January 23 to Mr. Raymond M. Foley, Administrator, Housing and Home Finance Agency, on the same subject.

We regret your impression that PHA "dismissed lightly" your protest letter of October 29, 1951. We wish to reiterate that, in the low-rent housing program, local communities have responsibility for selecting sites and establishing occupancy policies. PHA reviews such programs only as to general suitability and cost.

Your letter to Mr. Foley, however, has clarified for us your basic objections to the site in question, and we now recognize the more specific and detailed nature of your concern. While we are conscious of your stated objections, we must inform you that the project in question has been approved for an annual contributions contract by the President of the United States, and also has been placed on a priority list to go under construction during this fiscal year. In addition, this project is scheduled to be advertised for bids during the month of February 1952. It is evident that a large expenditure of funds has already gone into the development of this program and, by virtue of the advanced stage of development and the priority this project has received for processing and construction, it is not possible at this date to suspend operations even if your objections to the site were proven valid.

We have made a careful analysis of our over-all program in the far northeast area, which includes the project of your concern. As a result, we find that the number of new units contemplated being built in that immediate area, plus the number in the present project there, will total 1,300. Your letter to Mr. Foley states that these additional units are "far more than a reasonable number" to be placed in one specific and closely defined area. On the contrary, however, it is our experience that, in other communities throughout the country, many more than 1,300 units have been blended into a heterogeneous community, as you describe yours to be, resulting in the public housing units enhancing the neighborhood property values, as well as protecting the orderly development of the community for residential purposes.

On the basis of this information, we are hopeful that you and the members of the Capitol View Civic Association will feel less concern as to the negative impact the new low-rent housing program might have upon the present character of the community in which you reside. We ourselves are confident that your fears will be dissipated, especially if you and the members of the association continue your commendable efforts in developing wholesome community attitudes and concern for property values among all new residents.

Sincerely yours,

JOHN TAYLOR EGAN, *Commissioner.*

Mr. PHILLIPS. I ask you, Have all your fears been dissipated, Mr. Woodson?

Mr. W. O. WOODSON. They have not; no.

Mr. PHILLIPS. I also ask this. Does anybody here know it to be true that, "It is evident that a large expenditure of funds has already gone into the development of this program"? I think this subcommittee might look into that.

Mr. W. O. WOODSON. I would like also to give you a copy of the letter sent by myself to Mr. Raymond M. Foley of the Housing and Home Finance Agency.

(Letter referred to is as follows:)

JANUARY 23, 1952.

Mr. RAYMOND M. FOLEY,
Housing and Home Finance Agency,
Washington, D. C.

DEAR MR. FOLEY: The representatives of the Capitol View Civic Association have seen fit to acquaint the National Capital Housing Administration and later the Public Housing Administration with a problem that is felt to be one of acute importance. Having been unable to secure the sort of decision from Mr. Silverman in his answering letter of November 2, 1951, to a resolution contained in a letter directed to him from our civic association in October, we now place our pleas and ideas before you.

We are residents of a community which has been developed through a period of more than 25 years, owners occupying detached and semidetached homes. Our desire as Negroes to have a community of well-kept homes and yards, even at a cost which was heavy to some of us, is now reflected in this area to which we now point with pride. This neighborhood was developed in virgin territory of far northeast Washington as a result of the desire for independence and escurity derived from home ownership. We have been assisted by a developing company all of these years, and this company even now is most active in producing more houses for which there is a large and ready market. It has been the dream of the people and the plan of the developing company that eventually all the ground in this area would be improved with homes of the established types. Now we are acquainted with the fact that all of the vacant ground bounding this community is to be acquired for the purpose of constructing some 600 low-rent units. We feel that for a variety of reasons that this plan is both unfair and unjustifiedly conceived.

First, this project will forever prevent the completion of a neighborhood of home owners, which is a highly desirable sort, and will substitute for it a large rental area. In this a plan of private development which has been continuing over these many years will be suddenly stifled, and the desires of an entire community of industrious people will be flouted.

Second, a project of over 400 low-cost rental units called Lincoln Heights already has been placed on our northern border only a few years ago. Another 330 are contemplated on our northeast border, and now we are told to anticipate 600 more units along our eastern border. We realize that public housing is a necessity and that all communities should be willing to absorb certain quantities of such units, but we feel that we are being asked to accept far more than a reasonable number when there are other sections of the city receiving none.

Third, while we are willing to go along cooperatively with some public low-cost housing, we are unalterably opposed to any project, large or small, which will be on a segregated basis as to race or color, or any such housing which fosters and promotes the development of ghettos. Above and beyond this we feel that the contiguous placement of large projects of this sort makes for a monotonous neighborhood where incomes, living standards, and economic attitudes will be so similar that there will not be sufficient interplay of ideas for a healthy community. We feel that a properly balanced neighborhood has not only low-income families but also middle-income and high-income families as well. We do not opposed the influx of new people to our community, nor are we attempting class nor economic discrimination. We prefer a balanced neighborhood, and we feel thoroughly justified in opposing to the end any attempt to heavily overload our area with hundreds upon hundreds of low-cost rental units. Such plans will effect a tremendous change of character of our community for we could not possibly absorb so many thousands of people of an unvarying social and economic level.

Finally, we bitterly protest public-housing projects which are to follow patterns of segregation because of race or color as being reactionary, unrealistic, and contrary to American principles. We are unalterably opposed to the conversion of one specific section of this city into a densely populated Negro ghetto.

It is our understanding that the beginning of this project is imminent, and we appeal to you, sir, to review this matter lest any corrections become more difficult. We beg you for your immediate attention to this program.

Respectfully yours,

CAPITAL VIEW CIVIC ASSOCIATION,
WILLIAM O. WOODSON, *President.*

Mr. PHILLIPS. Have any of you statements that you would like to put in? If so, will you please give them to the clerk. We would like not to put in duplications of information because our hearings get larger and larger and larger. They get to a size when other Members of Congress hesitate to read them. We would like to boil them down as much as possible. Perhaps Mr. Woodson and Mr. Duvall can get them down to a respectable length.

Mr. WOODSON. I would like to have a property owner given opportunity to testify, Mr. Chairman.

Mr. RAWLINS. I am the owner of the large two-story house shown on the kodaslide. First of all, gentlemen, I would like to give you

a mental picture of just how the National Capital Housing Authority are planning to build around my place. Just look at a picture on the wall and take one corner of it. I am situated on the corner of the area. They want to leave me on that corner, and I asked them why, and the only reason they gave me was because my house would cost them too much money to purchase just for the land. I said, "Well, you have been through my house and have seen it all; what are your appraisal prices?" He said it was appraised at $30,000. I in turn ask $35,000.

Mr. PHILLIPS. This appraisal was made by the National Capital Housing Authority?

Mr. RAWLINS. Yes, sir. That was given to me by one of the gentlemen. I don't know whether he wanted it placed in the record or not.

Mr. PHILLIPS. It is in the record now.

Mr. RAWLINS. However, they drew up their plans and allowed me to come in and see what they intended to do. Upon examining the plans, I saw they had plans to put a three-family unit within 20 feet of my back steps, taking my back lot.

Mr. PHILLIPS. They were going to condemn part of your lot, but not that which had the improvements on it?

Mr. RAWLINS. That is right. After a while I pleaded with them not to put a unit so close to the house because I had a back entrance there and would be shut off from it. He told me to return in 2 or 3 days, and then they struck out the one unit on my back lot and asked for an alley across the same back lot. At first they said they only wanted 24 feet. Then I was called in, and they asked for 24 feet, and I would give them 8 feet for an allocation for half of the alley, which would make 32 feet. They seemed to be so undecided that I went and got a lawyer, and I said, "I would not sign papers for anything until I got a lawyer."

Finally they came back and said they wanted 48 feet. So, with the uncertainty that is existing, I do not know whether they are going to take part of my lot or all my house or not. It has men in a peculiar position. I would rather they would take all rather than part.

Mr. PHILLIPS. Off the record.

(Discussion off the record.)

Mr. RAWLINS. I have tried to give you the picture to show that even if I stayed in the area is will decrease the valuation of my property and, secondly, I don't know whether I would be surrounded by people I would care to live with.

Mr. PHILLIPS. Did they give you any amount in money for this property it is proposed to take?

Mr. RAWLINS. No.

Mr. PHILLIPS. No offer was made as a free sale. It was entirely on condemnation?

Mr. RAWLINS. I think that was because my lawyer told them I had a coldframe—a hotbed—for raising early tomato plants. They came back to make measurements and that is when they informed me they wanted 48 feet not 24. I said, "Why don't you people consider taking it all. I have 98 feet on the back. They will make a one-sided lot and I do not know what the cost will be to me when you put an alley through there. The District will make a special assessment even if I give you half of the land." They said, "Mr. Rawlings, your property will cost us too much. I spoke to your lawyer about $23,000." I said,

"That seems mighty little in consideration of what you said it was worth."

Mr. PHILLIPS. Do we have a problem of grades as the citizens did in Marshall Heights?

Mr. H. D. WOODSON. It is hilly but nothing like as bad as Marshall Heights.

Mr. RAWLINS. I am on a high hill and I asked them what they were going to do in grading. They said they did not know. I said, "Look over on the other side. There is a hollow place. The District graded here and left me with 15 feet." I then said, "If you grade the other side I will be living up on top of a nob."

Mr. H. D. WOODSON. I think it would be well if Dr. Collins would let you know some of the efforts made to stop this housing project and who they contacted.

Dr. COLLINS. No, Mr. Woodson. You proceed.

Mr. W. D. WOODSON. We have a group of property owners in this area where it is proposed to have this project built.

Mr. PHILLIPS. You say there are about 800 owners and all the NCHA work was done in secrecy. They had been working over quite a period of time?

Mr. W. D. WOODSON. It was not until last fall that we got any knowledge of it. At that time property owners drew up a petition and they were heard. Mr. Ihlder, Director of the NCHA, then sent them a letter and I would like to present that letter to the committee.

(Petition and letter referred to follows:)

OCTOBER 29, 1951.

NATIONAL CAPITAL HOUSING AUTHORITY,
Washington 25, D. C.
(Attention John Ihlder, Director.)

GENTLEMEN: A resolution opposing the construction of a low-rent project in the Capitol View area was adopted by an unanimous vote at the regular meeting of the Capitol View Civic Association on October 15, 1951.

There is attached a copy of the resolution which we trust will receive your earnest and favorable consideration.

The Capitol View Civic Association is in full accordance with every endeavor for civic betterment in the District of Columbia, and offers any assistance it can give toward such accomplishment.

Very truly yours,

WILLIAM O. WOODSON, *President.*

A RESOLUTION TO OPPOSE THE CONSTRUCTION OF LOW-RENT HOUSING BY THE NATIONAL CAPITAL HOUSING AUTHORITY IN THE CAPITAL VIEW AREA, A PREDOMINANTLY OWNER-OCCUPIED RESIDENTIAL NEIGHBORHOOD, AS A RETARDING MEASURE AGAINST PHYSICAL DETERIORATION OF THE NEIGHBORHOOD AND PROPERTY DEVALUATION

Whereas the Capital View neighborhood is largely contained of ownership homes, with a negligible percent of rental properties; and

Whereas this community has, through the efforts of private development companies and individual property owners, been developed into a beautiful neighborhood of semidetached and detached homes, that are tributes to the interest of their owners by their exhibition of excellent maintenance; and

Whereas undeveloped land in the area is steadily being developed in the existing character of the neighborhood so that at the current rate of construction, it is safe to say that within a comparatively short time no appreciable amount of vacant property will exist; and

Whereas the citizens and property owners of this area, through personal experiences and observations, have concluded with merit, that the location of low-rent housing in this type of neighborhood would be disastrous to the retention of its present character; and

Whereas these same citizens and property owners plead that their neighborhood be not arbitrarily changed to one of the pride-exempt and transient nature to suit the uncompromising desires of the National Capital Housing Authority's proposal to construct 600 low-rent housing units on two tracts of land, the general boundaries of which are: one, Fifty-sixth Street, East Capitol Street, Fifty-eighth Street, and Central Avenue; two, Hillside Place, East Capitol Street, Sixty-first Street, and Blaine Street; Therefore be it

Resolved, That the National Capital Housing Authority, the Public Housing Administration, the Commissioners of the District of Columbia and the National Park and Planning Commission be apprised of the foregoing facts and asked to take under study and reconsider the proposal; and be it further

Resolved, That the National Capital Housing Authority in reconsideration of the proposal, extend its studies of site locations, and make an extensive survey of properties containing so-called temporary housing and land, that is not now being contemplated for development, with a view to locating the proposed project elsewhere; be it further

Resolved, That the Capital View Civic Association go on record as opposing the proposal of the National Capital Housing Authority as so stated, and pledge its support and cooperation to prevent the construction of low-rent housing projects in this area.

NATIONAL CAPITAL HOUSING AUTHORITY,
Washington 25, D. C., November 7, 1951.

Mr. WILLIAM O. WOODSON,
President, Capital View Civic Association,
Washington 19, D. C.

DEAR MR. WOODSON: This is to acknowledge receipt of the resolution adopted by the Capital View Civic Association dated October 29, 1951, and to assure you that it is being given very careful consideration.

We should appreciate any suggestions you have as to vacant land in the District that is available for public low-rent housing. We have made a careful search but, of course, may not have found all that is available.

I would take exception to certain statements in the resolution, such as the phrase in the fifth "Whereas" which reads "a pride-exempt."

We would have appreciated opportunity to present our proposal at the meeting of the Capitol View Civic Association where the resolution was presented and adopted.

Very truly yours,

JOHN IHLDER, *Executive Director.*

Mr. W. O. WOODSON. At a later date they came to us and brought this information to the attention of the Civic Association. We protested on record and wrote Mr. Ihlder our protest. We later had a letter from him notifying us that he wanted to have us in to work out their program with them. All their work had been laid. We went into this meeting and restated our position. Then we were sent another letter. We also received a mimeograph copy of the December 15, meeting notes. I will offer both to the committee.

(Letter and mimeographed copy above referred to is as follows:)

NATIONAL CAPITAL HOUSING AUTHORITY,
Washington 25, D. C., December 10, 1951.

Mr. WILLIAM O. WOODSON,
Washington, D. C.

DEAR MR. WOODSON: Because of our desire to keep you currently informed of the Authority's program and particularly to get your comments and advice for the Authority's guidance, I am inviting several leaders to an informal conference on Saturday, December 15, at 3 o'clock, in our office, room 208, 1728 L Street NW. (Note that we have moved across the street from our old office.)

The hour and date of meeting have been set on advice that they will probably be the most convenient for you. I have tried to get in telephone touch with all who have been invited, but have been able to reach only a few.

The specific purpose of the conference is to put before you the Authority's program of building proper dwellings in a good environment on sites now occupied

by (1) slum dwellings in congested areas, (2) in deteriorated but not so congested areas, and (3) on vacant land.

Because of the scarcity of available vacant land, the three parts of the program must be coordinated. At the same time greater speed can be secured on the vacant land. So, in putting this program before you, emphasis will be placed on the problems of developing vacant land sites, such as that at East Capitol Street.

Will you be good enough to let me know that we may expect you on Saturday. Those invited are on the enclosed list.

Sincerely,

JOHN IHLDER, *Executive Director.*

INVITED TO ATTEND MEETING AT AUTHORITY OFFICE, 1728 L. STREET NW. (RM. 208) ON SATURDAY, DECEMBER 15, AT 3 P. M.

Federation of Civic Associations:

Mr. Ernest F. Harper,
520 Twenty-third Place NE.
Mr. John B. Duncan,
4423 E Street SE.

Interdenominational Ministerial Alliance:

Rev. J. F. Whitfield,
2931 Eleventh Street NW.
Rev. L. Maynard Catchings,
Seventeenth and P Streets NW.

Washington Urban League:

Mr. L. K. Shivery,
1103 V Street NW.

National Association for the Advancement of Colored People:

Rev. Stephen Gill Spottswood,
1615 Fourteenth Street NW.

Capitol View Civic Association:

Mr. William O. Woodson, president,
5348 East Capitol Street.

NATIONAL CAPITAL HOUSING AUTHORITY,
Washington 25, D. C., December 17, 1951.

To Participants in the Conference of December 15, 1951:
(List of names and organizations attached.)

One of the participants, after several of the members of the group had begun to leave, suggested that I write to each of you requesting written comment on points made during the long discussion. I am following his suggestion.

If there are other points or if you feel I have not presented these fairly, will you amplify or correct.

In what follows I am not ascribing specific statements to individuals because this was a free, informal discussion during which each participant contributed to the development of group thinking and so after hearing other discussants may have modified his views. So what is now asked of you is your present thought.

PURPOSE OF THE CONFERENCE

The purpose of the conference was to get your comments and advice on the Authority's development program, and particularly as it affects sparcely occupied or vacant land sites (one of which was used as illustrative). This program includes three kinds of sites; (1) congested slum areas, (2) deteriorated but perhaps not so congested areas, (3) vacant or sparsely occupied land. In each of these kinds of areas the Authority contemplates good dwellings in a good environment, meeting requirements for private construction under District building and zoning regulations.

The majority of these dwellings must be for families with children. Each project must be large enough to support effective management and to give some control over the environment. To merely replace one or two or three of the worst houses in a deteriorated block, as was suggested by a participant, leaving the rest of the neighborhood as it is, would not only make operating costs unduly high, but would be ineffective. Also, transforming present congested areas into

good neighborhoods for families with children means reducing the population density. For that reason it is necessary to utilize vacant or sparsely occupied land to provide dwellings for the overflow population.

This was illustrated by the city map to which your attention was called during the conference. This map showed the Authority's proposed locations, as well as its present properties.

Because home owners who live near one of the outlying locations have objected to the Authority's proposed use of the site, the Capitol View Civic Association, of which these home owners are members, was invited in the persons of its president and its executive committee to take part in the conference together with representatives of city-wide organizations.

THE PROBLEM

The problem before the conference was that of providing proper housing for low-income families, and the consequent necessity of using available vacant or sparsely occupied land for overflow population from congested areas in order that good housing conditions may be made possible for those families which will remain in presently congested areas.

A SPECIFIC QUESTION

A question as to outlying locations was, Will home owners accept as neighbors displaced low-income families who have been living in deteriorated areas but who cannot afford to buy homes and therefore must be renters?

I understand that the East Capitol Street home owners also object to private rental housing.

It will be appreciated if you will express your position on each of these two questions and give your reasons.

The discussion on Saturday afternoon covered a wide range.

During the discussion there were many general statements to which all could agree, as we agree to "the good, the true, and the beautiful," or, in reverse, as one participant put it, "We are all against sin." But the present question is not of such aspiration; it is of a definite program. We wish your help in showing how the aspiration can be implemented.

What is desired is your constructive comments, and, it is hoped, your support, in an effort to provide proper housing for low-income families; i. e., those whose incomes are not adequate to secure available proper privately owned dwellings.

1. *Appearance of the houses.*—There was expressed disapproval of flat roofs. When it was shown that the only buildings with flat roofs were to be three-story apartments which are not on streets adjacent to private housing, one participant objected that even so they would "stick up like sore thumbs" over the roofs of the Authority's two-story, one-family houses. This question of flat versus pitched roofs is one of taste, and opinion is divided.

There was question of material, answered by the statement that the houses would be of brick construction.

Again on the question of appearance, the Authority believes that its proposed grouping of buildings presents a better appearance than do long straight lines of semidetached houses.

2. *Renters versus owners.*—In the course of time all residence neighborhoods become at least partially renter-occupied.

Would you seek to prevent this by prohibiting a house owner from renting his house?

3. *Acquisition of home-owner's houses.*—During the discussion a participant said he objected to taking a home-owner's house in a sparsely occupied area even if eight families can be provided for in place of one. At the same time he said he would not object if the home-owner's house were taken in order to widen a street or to clear a site for a school, which he considered would be for community benefit.

Do you agree to this distinction as to community benefit, bearing in mind the scarcity of available sites?

In this connection it is to be remembered that there are home owners in our worst deteriorated areas.

Are they also to be left undisturbed even if this would prevent redevelopment of a deteriorated area?

4. *Depreciation of property values.*—The Authority's statement is that its permanent low-rent housing properties have increased adjoining values. It points

to the building up of adjoining land by private enterprise where the Authority has pioneered.

Of course every rule has exceptions and statements were made by participants that values have decreased in the neighborhood of one of the Authority's properties. Assuming, but not admitting, that this may be true, attention is called to the fact that there was a vigorous campaign against this particular project when it was proposed and neighboring owners were told it would adversely affect the value of their properties.

Attention was called to the similarity of campaigns against Negro invasion of white blocks which resulted in panic selling when a Negro family moved in. Experience has shown that this panic or fear was not well founded. Experience, in the Authority's belief, will be the same in the present case.

Instances were cited of damage to neighboring properties by children from the public-housing property (fruit trees damaged several years ago) and by children from an adjacent new playground who were assumed to be children from the public-housing property, though many of the playground children live in private homes. Attention was called to the fact that damage to property by teen-age children is found in practically all sections of the city.

Assuming, however, the accuracy of the statements, is the remedy to confine these children to the slums? If not, then what is the remedy?

5. *Confer with neighbors first.*—It was proposed that the Authority confer with neighbors before doing anything. Does this mean that whenever the Authority notes a site that may be appropriate for its purpose, it shall, before making any examination, call all the neighbors in and ask their opinion?

What, in your belief, would their answer be?

A complaint made at the conference was that the first knowledge neighbors have is the appearance of investigators or surveyors. But until these investigators or surveyors have made their reports, the Authority cannot know whether a site is usable for its purpose. One site that seemed good proved to be unusable because investigation disclosed a deep fill that prevented sound foundations for buildings.

Moreover, the questions that would be asked by the neighbors, such as questions asked at Saturday's conference and in previous conferences during past months, cannot be answered until the Authority has studied the situation. Even on Saturday a question about the appearance of the houses could be answered only by showing an architect's sketch of another project that is further ahead. This did not give complete satisfaction. Several weeks ago the Authority took some of the East Capital home owners on a tour of present properties that did not give full satisfaction, one of the tourists expressing skepticism as to whether the Authority would do as well this time.

6. *"Not your job to tell NCHA where it can find vacant land."*—We all agreed that this is not your responsibility; but the Authority would greatly appreciate specific suggestions. It was raised only because some objectors have said there is plenty of vacant land elsewhere.

7. *Rehouse displaced families where they now live.*—This was advanced by one of the participants apparently with the idea that it would be an alternative to the use of such outlying sites as that on East Capitol Street.

It is the Authority's repeated statement that to the extent good dwellings in a good environment for families with children can be provided in redeveloped areas where they now live, that should be done. The opening statement at the Saturday conference emphasized this. But there must be provision for overflow from congested areas if the families who are to be rehoused in these areas after redevelopment are to have good homes in a good environment. This was not controverted.

But there are difficulties in securing sites in redevelopment areas. Therefore, those who believe such areas should be utilized were asked to do what they can to remove the difficulties.

Long as this letter is, it obviously does not repeat all that was said during more than 2 hours of discussion. The most hoped for is a clarification of our thinking by focusing attention upon what can be done. On reading the points you may wish to change the wording or add other points. What is desired is your advice on what the Authority should do in its development program in order to provide good dwellings in a good environment for low-income families.

Sincerely,

JOHN IHLDER, *Executive Director.*

P. S.—During discussion, the subject of integration was raised, though it has no immediate bearing on the problem presented. This problem is that of rehousing low-income families. The specific difficulty is the reluctance of Negro homeowners to accept as neighbors low-income Negro families from congested inlying areas.

When the subject of integration was raised, the executive director said that he could not state his position because the matter is now being considered by the Authority's board, but that he will be glad to present to the board anything that any of those present wish to have presented.

J. I.

PARTICIPANTS INVITED TO CONFERENCE, DECEMBER 15, 1951

Federation of Civic Associations:
Mr. Ernest F. Harper, 520 Twenty-third Place NE.
Mr. John B. Duncan, 4423 E Street SE.
Interdenominational Ministerial Alliance:
Rev. J. F. Whitfield, 2931 Eleventh Street NW.
Rev. L. Maynard Catchings, Seventeenth and P Streets NW.[1]
Capitol View Civic Association:
Mr. William O. Woodson, president, 5348 East Capitol Street.
Mr. O. W. McDonald, 4925 Blaine Street NE.
Mr. Charles C. Alexander, 5334 East Capitol Street.
Mrs. Marie T. Buggs, 5338 East Capitol Street.
Mrs. M. F. Tinner, 5339 Ames Street NE.
Mr. Bernard C. Chapman, 824 Forty-eighth Street NE. (Far Northeast Council).
Mr. Welford H. Jackson, 319 Division Avenue NE. (chairman, housing committee, Northeast Boundary Citizens Association).
Washington Urban League:
Mr. L. K. Shivery, Thirteenth Street NE.
Mr. George Butler, 1260 Hamline Street NE.
National Association for the Advancement of Colored People:
Rev. Stephen Gill Spottswood, 1615 Fourteenth Street NW.
Mr. D. C. Branch, 961 Florida Avenue NW.

Mr. W. O. WOODSON. After that we had our meeting in January and we went on record to bring this matter to the attention of Congress. I received a letter from Mr. Ihlder stating he had read in the paper where we were going to Congress on this matter and to the President and that he would like to know the names of the Congressmen and the facts we were going to present to them.

We ignored that letter because we had not got any place with Mr. Ihlder.

We followed that up by contacting Mr. Foley's office and Mr. Egan's office. We had written them in October and received a reply from an assistant of Mr. Egan, but Mr. Foley's office ignored our letter and we appealed to the District Commissioners and the National Capital Park and Planning Commission and we received a letter from the Commission which I will offer. They supported Mr. Ihlder's position and later when they had this meeting last month we saw where the National Capital Park and Planning Commission had approved the units for East Capitol Street side.

In all these communications they had told us this would not affect us in any way but would tend to enhance the valuation of our properties and make it a better property which we know is not true from the experience we had from the project that is there on the North Lincoln Heights. That has been quite detrimental. Those persons

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[1] Did not attend conference.

living in the immediate neighborhood can testify to that. Mr. McDonald is one. Dr. Collins is living on the outer area.

Mr. PHILLIPS. I have a question. I saw by the paper that work was about to be started on an area near South Capitol Street. According to my memory it would go from South Capitol, to M Street, and to the business street that runs north and south, and would come back this side of the city pound. Is that a part of this program?

Mr. W. O. WOODSON. No. That is part of the redevelopment plan of the District redeveloping agency.

Mr. PHILLIPS. Why couldn't some of these people be put in the southwest area?

Mr. W. O. WOODSON. That is the question we proposed to Mr. Ihlder.

Mr. PHILLIPS. What did he say to that?

Mr. W. O. WOODSON. He said that would be torn down and rebuilt but that it was too expensive a proposition.

Mr. PHILLIPS. I do not see it is any more expensive to tear down an old house. That would seem better than to buy a $30,000 house in private ownership. That is not economy.

Mr. W. O. WOODSON. We had suggested some areas in the northwest and southwest where the places could be wrecked and rebuilt as they have done in New York and then take another segment and do the same and rehouse the people in the same locality. He said that was too expensive.

Mr. PHILLIPS. I am glad to see the NCHA is interested in economy. As you go across what I call the Navy Bridge and then go up Good Hope Road you come to a place where there is a German orphanage and then a park. There is a triangle there.

Mr. WOODSON. That is Naylor Road.

Mr. PHILLIPS. Is this area involved in this redevelopment program?

Mr. WOODSON. That is in southeast.

Mr. PHILLIPS. That is right, but I got that idea somewhere, either from a letter from one of your members, or from the newspaper, and I went out to look at it, thinking that was one of the areas you were concerned about.

Mr. WOODSON. No. That area is in the southeast.

There is the Stanton dwelling further over.

Mr. PHILLIPS. Is that a good project? Do you approve it?

Mr. WOODSON. It is being built. It is under construction.

Mr. PHILLIPS. Then I think I must have mistaken the proposal.

Mr. WOODSON. We have a statement prepared by the Far Northeast Council. The secretary, Mr. Chinn, is here. We want to offer each of you a copy of that and would like to have you indulge us by having that read by Mr. Chinn and placed in the record.

Mr. PHILLIPS. Wouldn't it be more satisfactory to have this go in the record? Is it necessary to read it?

Mr. CHINN. If you prefer, Mr. Chairman. Then we would like to add some statistical material.

Mr. PHILLIPS. I think that will be helpful.

(The material is as follows:)

FAR NORTHEAST COUNCIL,
Washington, D. C., February 13, 1952.

Re protest against the proposed Richardson and East Capitol Street public housing projects.

Hon. ALBERT THOMAS,
Chairman, Committee on Independent Offices of the Appropriation Committee, United States House of Representatives, Washington, D. C.

SIR: We, the representatives of the Far Northeast Council, which comprises all civic and parent-teacher associations of the northeast east of the Anacostia River, wish to express our appreciation of the opportunity you have extended us to present the views of the citizens residing in the above-named area in respect to the proposed public housing construction in that section of the city.

Principally our objections and arguments in respect to the location of these properties resolve themselves upon these two basic facts: I. That there is no real problem of need for public housing for low-income family occupancy. II. That the area selected for the proposed projects cannot adequately absorb and serve the population for which the projects are intended.

Our objections to the construction of these two housing projects are based upon the lack of necessity for such units. At the present time, in projects located in various parts of Washington, there are now living in these public housing projects people who pay rents ranging upward in excess of $70 per month. These rates and ranges positively indicate that such occupants now housed in these public housing projects could pay current rates of rent charged for private facilities; hence their vacating the premises would provide additional housing space for the genuine low-income housing.

In effect this practice of renting space to financially self-sufficient tenants tends to make the National Capital Housing Authority a bureaucracy in actual competition with private ownership and private enterprise. Moreover, to the extent that such people constitute a plurality in occupancy, just to that extent is the Authority serving a middle-income rather than a low-income housing group. It is evident, therefore, that before the Congress should appropriate more funds or permit the use of current funds it should examine closely the rates of rental, the income group composition, and the number of vacancies in properties now under NCHA supervision to determine what are the needs as well as the trends in the operation of the agency. The act which established the Authority did not anticipate nor intend that public housing should operate at a profit, since it is admittedly a public service available only to those pathetically in need of relief from economic pressures.

Unless the Congress calls a halt to present trends, the Authority, whether Congress wills it or not, represents a practical example of the principle of socialism in its most insidious form. In this area of nonexistent competition, aided and abetted by regulation X, the Authority will expand its program of middle-income housing construction. Only the Congress can stop that tendency.

In respect to the second principle upon which we base our objections, there is much that we shall attempt to condense into specific but logical categories in order to save the time of the Appropriations Committee.

CHARTS (EXHIBIT A)

The charts submitted here in evidence clearly indicate that within the radius of one-half mile there are presently located, or planned for location, a series of public housing projects which will concentrate beyond the physical ability of the Capital View Civic Association and the Northeast Boundary Civic Association to absorb a large number of housing units which will aggravate the many economic, social, educational, civic, and public service pressures already inadequate for those presently living within the boundaries of the area. A comparative study of the maps (exhibit B) will show that nowhere within the limits of the District of Columbia is there another community of this character similarly burdened with this disproportionate population problem. In reality the

proposed construction is a striking example (often repeated) of a vicious policy of poorly coordinated unorganized, unrealistic planning by the National Capital Housing Authority.

A closer examination of this total effect will expose additional fallacies in logic. Under no circumstances should citizens who have an invested interest in their individual homes and in the pattern of development of their community be placed in the dilemma posed by the disproportionate construction of these public housing units. It must be clearly understood that the citizens do not oppose public housing per se, but that they do oppose the practice which the pattern of construction has followed, namely the policy of the National Capital Housing Authority to construct public housing units without regard to the standard procedures followed by private builders. In this instance, and in others, the Authority has ignored under the guise of necessity, even the basic patterns of community life. Like a parasitic octopus, the authority fastens its tenacles upon an established community and extracts the very lifeblood of individuality and community control by constructing inadequately serviced public housing units which are left to exist as best they may.

Furthermore, the housing of an additional 6,500 people in an area 90 percent of which consists of detached and/or semidetached homes ranging in value from $15,000 to $40,000, will distort the social-civic elements of control and adjustment. Capital examples of this deterioration of a community pattern may be seen in any section of the city where public housing projects and home-ownership patterns exist in proximity to each other. Note particularly the blighting effects of Parkside Dwelling and Mayfair Mansions; Fort Dupont and Greenway for contrasts in management and general appearance. We respectfully suggest that members of the committee make even a casual tour of comparable communities in this category.

In many instances the property to be acquired by condemnation proceedings represents investments of individuals or groups over a period of years. Many of the people whose land is sought would, if they were able, build their own homes upon the land now in their possession. These lots represent an investment in the future since very little vacant land in the District remains available to them. It would seem, therefore, that a Government agency would exercise more discretion, since the application of the law of eminent domain would work unnecessary hardships upon defenseless victims of a land-hungry agency.

Except for the arbitrary restrictions of regulation X (emergency construction controls) many of the lot owners here and elsewhere in the city would now be building their own homes on some of the very lots now being diverted to public housing. In this and in other areas the restrictions of regulation X are tantamount to giving the Housing authority an extended, noncompetitive field of operation, excluding private owners and builders to the end that the authority is building homes for potential middle-income groups rather than the disadvantaged low-income groups. If this be the intent of the Congress, then private enterprise is destroyed; if not, then the whole problem of need must be reexamined in this respect. We seriously ask if this law is the type of safeguard the authority needs to justify its continued existence to serve the need for expansion in public housing. We respectfully pose this question for an impartial Congress to probe for an equitable solution.

Aside from the inequities involved in condemnation proceedings which never return to the property owner, an amount representing a fraction either of the purchase price or the market value, we have more serious objections which we feel must be critically evaluated by the committee. These objections lie in areas which the Housing authority has apparently minimized. We refer to the inadequate planning in respect to sewerage, highways, public utilities, and related municipal services. We feel that had the authority made a complete survey, it would have rejected the proposed sites for the units.

SEWERAGE AND HIGHWAYS

For nearly 20 years citizens in the council area have been trying to secure adequate sewerage and highways for the citizens living in the area contiguous to Watts Run (exhibit). Regularly, every year this stream causes extensive property damage during flood periods. To eliminate the problem of Watts Run would be the key to the development of the whole area. Repeatedly during each year cellars, streets, adjacent land, and other real estate properties are subject to washouts, shifts in contours, and serious traffic hazards as the result of the uncontrolled drainage which the run is unable to carry off effectively. The de-

tails of this inadequacy are a matter of public record in Congress. Each new housing project adds to the load upon this stream with more acute effects. Yet in face of the fact that Congress has appropriated no money for the development of the run the authority with utter disregard for consequences, is preparing to increase that load. During the last budget hearings the Commissioners admitted the need for emergency attention; yet no money was appropriated. It would cost at least $1,000,000 to improve the run. Will Congress or the authority assume the obligation? If the projects are built, the direct danger to health, property, and life of citizens in other areas will be aggravated.

In respect to highways the effects are evident. Highways, including subordinate streets, depend upon the development of Watts Run. A swollen population in the area will tax beyond limits the adjacent and even the nonexistent streets that should be opened to public transit before the area becomes more congested.

FIRE AND POLICE PROTECTION

For more than 5 years the citizens have asked for adequate fire and police protection. To date we have an understaffed precinct and no additional fire house. Additional property development in the area without adequate fire protection seems foolhardy, to say the least.

At the present time the fourteenth precinct is seriously understaffed; yet the authority will bring more people into an area where the impact of crowded conditions might well breed another slum. How does the authority propose to meet this problem? At the present time the precinct has a fine record for control in the various categories of crime. We are proud of that record, but we fear the consequences of this abnormal shift in population to an area inadequately prepared to offer the people basic municipal services.

Currently the District of Columbia Board of Education is struggling within the framework of a curtailed budget, to provide adequate schools for our children. In every school in the Northeast there is critical overcrowding. Please examine the following figures for significant facts:

Distribution of housing projects by area

	Units
Area I (northwest):	
Kelly Miller, Negro	169
Williston, Negro	31
V St., Negro	18
Bryant St., Negro	32
St. Mary's Court, Negro	24
Total	274
Georgia Ave., white	170
Fairway Houses, white	238
35th St. Houses, white	75
Tunlaw Road Houses, white	92
Total	575
Grand total	849
Area II (southwest):	
James Creek, Negro	279
Anthony Bowen, Negro	86
Syphax Houses, Negro	145
Syphax Mobiles, Negro	93
Total	603
Portland, white	80
Overlook, white	360
Total	440
Grand total	1,043

Distribution of housing projects by area—Continued

Area III (southeast) west of Anacostia River:	
Carrolsburg, Negro	314
Hopkins Place, Negro	23
Southeast Mobiles, Negro	15
Total	352
Ellen Wilson, white	204
Canal St., white	20
Jefferson Terrace, white	16
Knox Hill, white	250
25th St. Houses, white	40
Total	530
Grand total	882
Area III (southeast), east of the Anacostia River:	
Barry Farms, Negro	442
Nichols Ave., Negro	114
Frederick Douglass, Negro	313
Camp Simms, Negro	285
Stanton Rd. (Negro) (in process)	348
Total	1,502
Highland, white	350
Benning Rd., white	138
Fort Dupont, white	325
Staddard, white	192
31st St., white	71
Total	1,076
Grand total	2,578
Area IV (northeast), west of Anacostia River:	
Langston Terrace, Negro	274
Oklahoma Ave., Negro	56
21st St., Negro	36
Total	366
Monroe St. houses, white	90
Total	90
Grand total	456
Area IV (northeast), east of the Anacostia River:	
Grant-Meade, Negro	103
Parkside, Negro	373
Foote St., Negro	168
Lincoln Heights, Negro	440
Total	1,084
Lily Ponds, white	492
Quarles St., white	88
Total	580
Grand total	1,664

Distribution of housing projects by area—Continued

Maryland:	
Carry Houses, white	207
Calvert Houses, white	483
Total	690

Concentration profile (Public Housing), east of Anacostia River, ½-mile radius

Lincoln Heights, 402 50th St. NE. (constructed)	440
Richardson, 53d and Clay St. NE. (planned)	190
East Capitol Dwellings, East Capitol and 58th Sts. NE. (planned)	391
Miscellaneous (planned)	286
Grand total	1,307

RECAPITULATION

Areas	Total population	Estimated total population in housing units	Per capita percentage
Washington, D. C. total population (1950 census).	803,178		
I	417,471	4,706 (849 units)	0.010
II	44,526	5,215 (1,043 units)	.11
II	152,738	17,300 (3,460 units)	.10
IV	187,443	10,820 (2,354 units)	.05
Capital View Area	2,103	6,500 (1,300 units)	.32

Mr. PHILLIPS. All the area that has been described today, with the individual sections of it, is inside the District of Columbia?

Mr. JORDAN. Yes.

Mr. PHILLIPS. I think we have a pretty clear picture of it. The committee will have to see what, if anything, it can do. Off the record.

(Discussion off the record.)

Mr. JORDAN. One of the problems involved here is that by moving a large number of people out into the area without adequate preparation you are going to have the problem of schools, fire houses, police protection, water and utilities, and one of the main things is storm sewers. At the present time we have what they call flash floods due to the fact that the only drainage we have is Watts Creek. One thing we have been trying to get developed is a system in order to take off the sewage there for the past 20 years. Every time they build a new project, instead of the ground taking it off naturally, they have to run streets and sewers in there, and this sends more water into this creek. All of the way down it is affecting the property of the entire area.

We are also trying to get more fire apparatus out there. We have only two fire houses that are giving service to this area. If they are fighting a fire, and then at 6 o'clock the apparatus has come to town the only road it can get through is Benning Road, or else if it comes from town it has to go ever the Sousa Bridge or around by the Peace Cross at the present time.

Mr. PHILLIPS. Thank you very much.

Mr. WOODSON. I would like to offer these letters in connection with our protest which was sent to Mr. Ihlder, for the record.

Mr. PHILLIPS. Hand them to the reporter, please.

Mr. CHINN. In connection with this brief I would like to emphasize that the present school capacity has about reached the saturation point with the exception of two schools.

There is no current appropriation for the acquisition of land for additional schools in that area. The children who are housed in those particular projects will have to travel elsewhere for their education if they are low-income families. They, in turn, will have to spend more money for transportation for educational purposes.

I would like to have these figures incorporated in the record, on the schools in the area. Burrville has a capacity of 720; the present enrollment is 630.

Merritt has a capacity of 792, and 691 are enrolled.

Richardson, which would take the brunt of this particular population, has 540 capacity and 625 membership.

Smothers has a capacity of 648, and has 752 membership today.

I got those figures within the last 24 hours.

I would like to emphasize the fact that these services which are normally available to students and to citizens are inadequate at the present moment.

Mr. PHILLIPS. Thank you very much.

Mr. CHINN. There will be 2,500 children in that particular project, based on comparative figures of average families in low-cost housing units. Where are they going?

Mr. PHILLIPS. It occurs to me that none of you have estimated that if there are 800 homes in private ownership in the area and roughly 800 families, as to how many families there will be in there when the project is completed.

Mr. CHINN. I do not know, but I should like to offer this contrast that those approximately 800 homes now have a membership of 2,100 people, and superimposing those housing projects upon that particular community will bring approximately 3,600 more people there. We have public housing projects representing a 3 to 2 ratio per capita in terms of the permanently established citizens.

Mr. PHILLIPS. What did Mr. Ihlder and Mr. Egan say when you told them that?

Mr. CHINN. We assumed that they had made complete investigations themselves. They are supposed to be a Government agency and somewhat efficient in investigating. We found those things out ourselves and presented them forthright.

Mr. TANCIL. We raised the same point when we went to see Mr. Ihlder, and he informed us that the school system and the School Board were going to build more schools and have more teachers. I am not a person to ask him on what he bases his assumption, but he said he had made contacts and said we would have better police and fire protection and transit facilities in the neighborhood when he put the project through.

Mr. PHILLIPS. Does that wind it up? Thank you very much for coming.

Mr. WOODSON. Thank you for the hearing, Mr. Chairman.

Mr. CHINN. May I have your permission to enter these in the record? They are articles which appeared in the Washington Post. I have underlined the sections which affect this area.

Mr. PHILLIPS. Yes.

(A number of articles, including pictorial exhibits, were submitted to the committee.)

(A copy of the "Expression of vigorous opposition to proposed East Capitol dwellings," a petition which was submitted to the Senate District Committee, was also submitted to the committee.)

Mr. PHILLIPS. Thank you.

THURSDAY, FEBRUARY 14, 1952.

MAINE MARITIME ACADEMY

WITNESSES

HON. ROBERT HALE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

HON. CLIFFORD G. McINTIRE, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MAINE

HON. RALPH A. LEAVITT, A STATE SENATOR FROM THE STATE OF MAINE

VICE ADM. CALVIN T. DURGIN, UNITED STATES NAVY, RETIRED, PRESIDENT, NEW YORK STATE MARITIME ACADEMY

Mr. THOMAS. Gentlemen, will the committee please come to order.

We have with us this afternoon two of our very distinguished colleagues, Mr. Hale, of Maine, who is an old-timer here, so to speak, who has been here many years and who has a long and distinguished record. We are also delighted to have our colleague from Maine, Mr. McIntire.

We welcome you, Mr. McIntire; it is nice to see you. I know you and Congressman Hale together will make the same great pair that he and our beloved and deceased colleague Frank Fellows made. What you do for your State is certainly outstanding.

We are also pleased to have with us State Senator Leavitt, of Maine, and Admiral Durgin, of the New York State Maritime Academy.

If any of you gentlemen have a statement for us, we would be delighted to hear you.

GENERAL STATEMENT

Mr. HALE. Mr. Chairman and members of the committee, I want to express the pleasure that I feel every year in coming before your committee. We have always received most courteous and fair hearings from the committee. We in turn certainly do not want to abuse your patience in being over long.

The Maine Maritime Academy is situated in Castine, which is in the Third Congressional District, and I have the honor of representing the First District. Mr. Leavitt, the president of the board of directors, however, is a resident of my district, and it is on that account that I claim and have actually had in years past the honor and privilege of appearing before the committee.

In addition, today we have the honor of having with us Admiral Durgin, who is representing the New York State Academy.

I will not attempt to say anything myself about the Academy, beyond the fact that I am a firm and ardent believer in the policy of having these academies to train our merchant marine, or rather the officers of our merchant marine.

I do not believe that you could expect the private shipping lines even in periods of utmost prosperity to train all the officers that a merchant marine needs. It seems to that is a public function, like the training of officers for the Army and the Navy and the Coast Guard.

Having said so much, I will yield to my colleague, Mr. McIntire, who represents the district in which the Academy is located, who will introduce to you Mr. Leavitt, who I think needs no introduction, because he has been here several times already, and who will also introduce Admiral Durgin.

Thank you very much.

Mr. THOMAS. We are glad to hear from you, Congressman McIntire.

GENERAL STATEMENT

Mr. MCINTIRE. Mr. Chairman and members of the committee, I have a brief statement that I would like to make for the record, and then I would appreciate turning it over for discussion to Mr. Leavitt, who has a statement and is far more capable than I of carrying on the question-and-answer portion of this discussion today.

The Congress and people of this country are debating what to do about military training. They are seriously thinking of programs involving 600,000 to 800,000 young men, and expenditure of up to $4 billions annually.

We have had ROTC units in our colleges for many years, and we have implemented Naval ROTC to supplement the Naval Academy for training naval officers.

It is too obvious to require taking time to point out to this committee the importance of a competent merchant marine in time of war. We have recognized that importance in the past by establishing four State academies and one Federal academy for the training of merchant-marine officers, but now, while we prepare for an emergency, we consistently—or should I say inconsistently—whittle down the effectiveness of these academies to the point where they are even now seriously impaired in their ability to attract high-grade students and properly train them for the Naval Reserve and for merchant-marine service.

My interest in this matter is primarily due to the fact that I have within my district the Maine Maritime Academy, located at Castine. This was formerly a normal school—part of the State's program for primary school teacher training. The facilities are not needed now, and the State, in cooperation with the Federal Government, has established a school which is a credit to the Maritime Service, to the State, and to the people associated with it. There are presently enrolled in this school 206 young men. In my opinion, these State schools should be recognized for the part they are playing, and can continue to play, in properly preparing young men for needed service in time of national emergency, and in providing a competent complement of qualified men to serve in the merchant marine.

We find that at the present time the Federal academy provides for pay and allowances to the students to the extent of $65 per month, and subsistence in kind: board and room.

In the State academies, the allowance is $475 a year or $40 a month. The requirements placed on these young men are similar, if not actually identical, and there seems to be little reason for this extreme difference in subsidy.

It is interesting to note that in the case of the Naval ROTC the young are required to take a prescribed course in naval science, to drill 2 hours a week, to take a 6- to 8-week cruise each summer, and are obligated to serve 2 years on active duty after graduation. For this they receive tuition, books, uniforms, travel allowances, et cetera, plus $50 a month during the college year and $78 a month while cruising, et cetera.

Students in our maritime academies take a basic course in naval science, drill 2 hours a week, lead a military (or naval) life 24 hours a day during 11 months of the year, taken one 3-month cruise, and have 8 years' obligation for duty if called. They are allowed only $40 a month to apply on all of their school costs, including books, uniforms, et cetera, and no allowance for travel.

It is appreciated that the program and the requirements of our maritime academies are not identical with those of Naval ROTC. However, it does seem that we can say, broadly, that the objective of one is similar to the objective of the other in that the maritime academies are preparing competent officer personnel for the maritime service and the Naval ROTC is preparing competent officer personnel for the Navy and Marine Corps. While there may be some justification for a difference in the extent of the compensation or allowances, nevertheless it seems the level of allowances should be somewhat comparable.

It is interesting to note that at a time when appropriations for defense are being tremendously increased, funds allowed to cover some of the costs of student training in these maritime academies have been cut, and appropriations for maintenance of ships assigned to the academies have been reduced to the point that the ship assigned to the Maine Maritime Academy is now classified as unseaworthy, because of lack of funds to make necessary repairs. The boilers of the *American Sailor* have failed, and the annual winter cruise cannot be made. The present senior class will not be affected, because it has had adequate sea time to obtain licenses on graduation, but subsequent classes cannot fulfill requirements unless a ship is available to them for their cruise time.

It seems to me a most interesting commentary that while Congress is asked to consider UMT and a 6 months' training which will have cost approximately $3,200 per young man, we find a situation existing in schools already established for training vitally important personnel where we are progressively cutting allowances to students on costs which lie between $85 and $40 per month, or a total cost of less than $1,000 per student for 11 months' training. This seems to me inconsistent with a well-integrated program of preparedness, and I believe justifies serious consideration on the part of this committee.

Our military and naval academies, our Reserve Officers' Training Corps, and our maritime academies are a part of a preparedness program already in effect, in which we are getting, I believe, a substantial return on our investment in this matter of preparedness. While we are considering our over-all problem of adequate defense, we

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Our military and naval academies, our Reserve Officers' Training Corps, and our maritime academies are a part of a preparedness program already in effect, in which we are getting, I believe, a substantial return on our investment in this matter of preparedness. While we are considering our over-all problem of adequate defense, we

certainly should not be throwing away or rendering null and void established facilities fully capable of putting into our defense manpower reserve the type of trained people we may need almost overnight if the international situation worsens, or if it presently justifies serious consideration of UMT.

I urge that this committee give careful and sympathetic consideration to restoring the maritime academies, Federal and State, to a level of efficiency of operation; that adequate provision be made for such pay and allowances as will attract to these schools a full complement of young men such as the facilities of the schools permit them to carry; and that comparable consideration be given as between the Federal academy, State academies, and our Naval ROTC units in the colleges. Each of these is vitally important in our program for training personnel and should receive consideration in proportion to the training provided and the obligations for service incurred by personnel enrolled.

Good husbandry dictates adequate appropriations to preserve present investment in existing training facilities rather than abandonment of these projects and adoption of new and expensive programs for similar or the same purposes.

As Representative of Main's Third District, wherein one of these State maritime academies is located, I respectfully urge prompt and favorable consideration of such appropriation as is necessary to keep these training schools at peak efficiency at this time when new facilities elsewhere may be contemplated and additional training programs inaugurated.

Thank you very much.

Mr. THOMAS. It was a very nice statement; very much to the point. Thank you, sir.

Mr. MCINTIRE. I would like to refer to you, sir, the testimony of Mr. Ralph Leavitt, senator in our legislature in Maine.

GENERAL STATEMENT

Mr. LEAVITT. Mr. Thomas and members of the committee, I am pleased to be once more before you, and I come, as usual, asking for money for the State maritime academies. I want it understood thoroughly that I am not a paid lobbyist, but that I am the president of the board of trustees of the Maine Maritime Academy, appointed by the Governor of Maine to serve on this board of trustees, without pay. Because the State of California is over 3,000 miles away and because of the similarity of the problems of the school in California and in Maine, and my great friendship for the board of trustees of that school, I also have been requested to represent them here, and I am doing this also without pay. Admiral Durgin, president of New York State Maritime College, has read this and concurs with it.

The first few times that I met with you, I spent a large part of my time talking to you, trying to impress on you the imperative need of training officers for the merchant marine, but the next 2 or 3 years, in the interest of saving time, because I know how busy you are and how precious are your minutes, I took for granted that you were aware of the importance of this program and devoted all my time to discussing the money involved in the appropriation for the academies. Apparently I took too much for granted because last year you failed to appropriate the needed money. So this year, for the record, I am going

to speak a few moments on the need of the program before we start discussing the money involved.

World War II brought home forcefully to all the people of the country something that sea-minded people had known since the start of our Nation, that the merchant marine is indispensable to our survival as a Nation. In the last few years, it has often been referred to as our "fourth arm of defense." It certainly is an arm of our defense, but I do not agree with calling it the fourth arm. I think it should be called one of the arms.

Gentlemen, we cannot live as a world power without a merchant marine strong, both in times of peace and in times of war. This statement is so axiomatic, it should not need any amplification. The following statement is also equally true, that to have a strong merchant marine, we must have competent personnel running the ships, and it is impossible to have competent personnel unless we have competent officers. We spent millions of dollars building ships and in times of war we have in the past been able to build ships in a few months, but we never have been able to get competent officers quickly. True, we have been able to get men that we called officers, who have taken so-called quickie courses to teach them navigation, but these men have not been able to do the job as well as it should have been done. We who are in the business of training merchant marine officers know that it takes 3 or 4 years to make a good officer, and we also know that we have to train 1 officer each year for every 10 officers we need in the merchant marine. This figure is a standard figure throughout the merchant marines of the world.

I know that at least one of your committee will bring up the point that even conceding the need for these officers they should be trained by private industry because they go into private industry. But, gentlemen, there is a fallacy in this argument. Although many of these ships are owned and run by private industry, a very large percentage of them are Government-owned, were built by taxpayers' dollars, and all of them are subject in case of war to being commandeered by the Government, as they were in World War II and then re-allocated to private companies to operate. The taxpayer, therefore, has a large stake in the efficient running of our merchant marine and is entitled to know that these ships are being officered by men who are competent. I know there is nobody who is naive enough here to believe that it would be possible to get 100 or more corporations together to conduct schools of this type, and no one of our shipping companies is large enough to warrant the running of a school to train officers exclusively for their own use. Furthermore, should we establish a great many schools of this type, there would be no uniformity in the type of training, and we would have a hodge-podge mess of officer material.

I would like also to point out to you that because the schools are run as they are, it is possible for us to give a naval science course, and the Navy has to assign comparatively few men to these schools to cover this part of the training, whereas if we had hundreds of small schools, the cost to the Navy would be exorbitant. Because of this naval training, these young officers who graduate from the schools are all reservists of the Navy and are under agreement to serve in the Navy any time the Navy wants them inside a period of 8 years after graduation. To our minds, this is a much better asset to the

Navy than the so-called Holloway plan, which guarantees that they will take the graduates of the plan and give them employment in the Navy, regardless of whether or not the Navy is in need of officers. As pointed out, in the case of the maritime academies, the Navy has a reserve of officers but does not have to call them to service unless they actually need them. Further, the Navy has on the merchant ships of the country, trained reservists as officers who at any time could be called upon in case of war to take over the ship and operate it as a naval unit, which might turn out to be very useful under many circumstances.

Another point that I would like to stress is that the merchant marine is the only arm of our national defense which, although absolutely necessary to carry out a war and which if it were not efficiently run might render impotent any one or all of the other armed services, is in time of peace the bulwark of a successful economy and, except for comparatively small subsidies when you stop and think of the subsidies to agriculture and to other industries, is virtually self-supporting.

Gentlemen, when you think of the money that we are spending to build our national defense, the billions we are giving to foreign countries to help build up their national productivity and their armed forces, how can you hesitate to give us sufficient money to carry out the efficient operation of these schools which I am here to represent? We are asking for an amount that is so infinitesmal alongside the money you are giving for agencies that are much less worth while that it seems incongruous to me that I have to say any of the things which I have just pointed out to you, that you would know them without my uttering a word.

Now, let's get down to the actual figures. The budget has set up for the 4 State maritime academies a sum of $683,000 made up of 3 items: $190,000 to pay for basic grants of $47,500 to each of the 4 schools; $153,000 for the maintenance of ships; $38,250 to each of the 4 schools and a sum of $340,000 which is supposed to cover the cost of $475 a year for 710 cadets in the 4 schools. This $475 breaks down into $275 for subsistence and $200 for uniforms and books.

At the same time, gentlemen, you are appropriating for the Federal Academy at Kings Point a sum of $586,560 which covers the pay of 752 cadets at $65. Besides this, included in the administrative costs of the Maritime Training Service, is a sum equal in different items to $1,793,440 to run the Academy at Kings Point and to feed these 752 cadets who receive the pay of $65 a month. At the present time, gentlemen, you are training 752 officers a year at Kings Point for a cost, when all costs are taken into consideration, of $2,380,000 as against a sum of $683,000 for 710 cadets at the four State maritime academies. Considering that the officers who come from the State maritime academies are equal in all respects to those graduated from Kings Point, and sign the same agreement to serve in the United States Navy and merchant marine as do cadets at Kings Point, you certainly are getting a bargain at the State maritime academies. The difference between the two prices is being paid by appropriations of the various States and by payments of parents of the cadets who go to these schools.

Although you are getting a bargain, the parents who send their sons to the maritime academies are far from pleased with the situation. They cannot understand why a boy training for exactly the same service should in one school be able to attend for nothing and in other schools have to pay anywhere from six to nine hundred dollars a year. It is a fairly hard question to answer, and telling them that it is the will of Congress that this shall be does not help out much.

Gentlemen, the State maritime academies do not believe that this $683,000 which is set up in the budget is fair, under the circumstances which I have previously stated.

In the first place, Congress in 1941 established a basic grant to the academies of $50,000 each, and we do not believe that this $50,000 should be cut 10 percent. We believe that we should be given the full $50,000 each year. This would mean that we would want $200,000 instead of $190,000.

As soon as the war was over and each school had been given its own ship, a grant of $50,000 was made to pay the cost of maintenance, which is guaranteed also under the Merchant Marine Act. Prices have been steadily going up, and it costs nearly twice as much to do business in a shipyard as it did before the Korean episode, and yet the budget cuts back this sum to $38,250. We believe this should be raised to at least $62,500 and that the total appropriation for this item, instead of being $153,000 should be $250,000.

Under General Order No. 22 of the Maritime Administration, it says that the State maritime academies shall maintain shore bases which shall accommodate in New York 400; in California, Maine, and Massachusetts, 200 each; and each of the States has such a plant. Each year these schools are filled to capacity. That is the economic number to have in the schools; that is, 1,000 cadets in all. And yet the budget provides for only 710 cadets, leaving 290 cadets who do not receive even the $475 which is granted under the budget for their expenses. We believe that the appropriation figure should be raised to cover the 1,000 cadets.

Further, the budget figure, in setting up the $475 states that this is to cover subsistence, uniforms, and books; $275 for subsistence; and $200 for uniforms and books. I do not believe that anybody here can conscientiously assume that a cadet these days can be fed for 75 cents a day. You all know that it costs more than $200 a year in a school of this type to buy uniforms and books. In fact, the average cost of uniforms and books in our school this last year was around $400. In other words, this figure of $475 is an unrealistic figure.

We believe that these cadets in the State maritime academies should be given the same allowance as that given to the boys who are being trained for exactly the same purpose at Kings Point, and that is $65 and subsistence a month, which would mean a total appropriation of $1,120,000. for this item. Adding to it the other two items which have been mentioned—$200,000 for the basic grant to the schools and $250,000 for repairs to the ship—makes $1,570,000.

1,000 students at $65 per month	$780,000
1,000 students subsistence, $1 per day	340,000
Basic grant, 4 schools—$50,000	200,000
Ship maintenance, 4 schools—$62,500	250,000
Total	1,570,000

Less than one-fourth the cost of building a moderate-sized ship, and the officers produced each year will be enough to man 30 ships a year. This would make possible the training of 1,000 officers a year, graduating 300 of them each year, as against training 900 boys at Kings Point with a graduating class of about 270. Cost at the State maritime academies $1½ million against $3 million at Kings Point. Gentlemen, this is still a bargain. I have been asked by my State and by the great State of California to come here and place this proposition before you and to ask humbly that you in your great wisdom will see fit to comply with our request.

Besides this general statement, in the State of Maine we have a problem which we have to bring up at this time. This is not in the appropriation bill, but it is something that I feel must be brought before you, so that you will be cognizant of it.

In addition to the appropriation for all of the maritime academies, Maine Maritime Academy has an additional problem relative to its training ship. This ship, the *American Sailor*, was loaned to Maine 3 years ago. She had been virtually out of commission 2 years, and was at that time 28 years old. Maine has tried to maintain this ship on the appropriations which have been given, but has found it impossible to keep it up, and delayed maintenance has been accruing at a very fast clip. If any of you gentlemen know about ship operations, you will know that almost in direct ratio to the age of a ship does she increase in her cost of maintenance. It is estimated conservatively that to get this ship to sea this year after one of the boilers burned out will take $80,000 to $90,000, and the Coast Guard inspectors in going over her will call for an additional $100,000 next year, and more than that the year after. Because of lack of funds to get this ship to sea, the cruise this year was abandoned.

A thorough study is being made of the situation and it is believed by most everybody who has tackled the problem that it would be foolhardy to put nearly $300,000 into a ship that is now 33 year old and which will call for very high maintenance as long as we keep her, much more than the $62,500 which we have requested for this coming year and way above the $37,500 which has been set up in the budget.

In studying the situation, the board of trustees in Maine and our superintendent, Admiral Warlick, believe that it would be a much more practical solution to have the Maritime Administration assign to us a comparatively new ship out of the laid-up fleet, or some ship that the Navy does not now need, and spend somewhere up to the amount that we would have to spend on this ship in the next 3 years, and then we would have a ship that could be maintained at least for the next 10 years after that for within the $62,500 which we have requested for maintenance this year.

Therefore, at this time, we want to bring this to your attention, and request that you include in the appropriation bill a sum sufficient either to put the *American Sailor* in condition or to provide a new ship. We believe, tentatively, that the amount to set up would be $300,000 and we respectfully request that you heed this plea and make funds available to us, because a training school is not a training school unless it has a ship to use for a laboratory and for cruising.

Mr. THOMAS. Thank you very much. Admiral, do you have a statement for us?

GENERAL STATEMENT

Admiral DURGIN. No, sir; but may I have about 3 minutes?

Mr. THOMAS. Good. It is nice to see you, Admiral Durgin.

Admiral DURGIN. Gentlemen, I do not think there is any doubt in the minds of the committee that we do need a strong merchant marine service, and you also undoubtedly agree that it should be well manned.

The question, I believe, is whether or not the Federal Government should do anything, or very much, toward supporting the young men who are taking their course of training at these academies.

The point I want to bring out is why we think they should get the money. First, there is the course of instruction. This applies to all four academies, and the academy at Kings Point. The course is such that they work 5½ days a week for about 11 months a year. They do not have the opportunity of work, like you had, Mr. Thomas, and like my brothers, of going out to work to earn their way through college.

Some of our boys do get out and work on Saturday afternoons and Sundays, but you know they cannot do much of that. At Christmas time they do not get enough time off to work in the post office or any place else. As a result, the boys are not able to give much toward their support. That means that if the parents do not have a fair amount of money to help these boys along, the boys cannot go to college.

You might say: Why does the course have to be so strenuous? Well, the boys are graduated with a bachelor of science degree. That takes a lot of work. They are also given the NROTC course, to qualify for a commission, and that takes extra drilling and time. Then they have to pass the examinations for a third officer or engineer, and that requires a great deal of work. There is also a great deal to operating at sea.

Unless you do give these boys a fair subsidy, it is going to turn out that the boys who go to our college are going to be the sons of families who are fairly well off.

That is all I need to add. I think everything else has been said.

Mr. THOMAS. Thank you very much, Admiral. It was a very nice statement.

Are there any questions, gentlemen?

OTHER POSSIBILITIES

Mr. PHILLIPS. Senator Leavitt, it seems to me that we may have jumped over a step and taken for granted that there is no intervening possibility.

The State of Maine and the State of California each appropriate a certain amount of money for the support of these school ships and maritime academies. At least, they used to when I was in the State Senate of California.

Mr. LEAVITT. That is right. They still do.

Mr. PHILLIPS. Do you know approximately how much that is, in either State?

Mr. LEAVITT. We worked that out this morning. The combined academies appropriate about $1.6 million.

Mr. PHILLIPS. You would divide that by 710? That would be $1,500?

Mr. LEAVITT. Fifteen hundred dollars.

Admiral DURGIN. The New York appropriation is over $900,000 a year.

Mr. PHILLIPS. My point is that there is very little difference between the amount of money that is being appropriated by the Federal Government for Kings Point and for the State academy. It is not a very large sum of money.

If the State does not like the amount of money being appropriated, has the State considered appropriating more money itself? In your testimony, Senator Leavitt, you seemed to feel that this was an unusual situation. I was going to suggest that when my colleague, Mr. Hale, went to Bowdoin, it cost him a little more to go there than if he had gone to the University of Maine. What is the difference?

Mr. LEAVITT. The only difference that we see is this: It would be impossible for boys to go to Kings Point. It would be impossible for most of the boys to go to Kings Point if the Federal Government were not paying them the $65, as they paid last year, or the $78 they are asking for now.

Mr. PHILLIPS. What I am struggling with is the idea that a lot of boys go to the University of Maine who could not go to a school where it cost more.

Mr. LEAVITT. These boys who want to go to these schools are going to go because of the fact that they want to go to sea. It is impossible to train a boy for sea with the equipment which is necessary in one of these schools as cheaply as you can train them for a liberal arts college.

Mr. PHILLIPS. Well, I am not suggesting that you send your maritime boys to Bowdoin or the University of Maine. I am suggesting that the State of Maine could appropriate more money for the State maritime academy if it wanted to do so. So could the State of California.

I am suggesting to you, as I have to a great many other agencies which have come in here, that the State of Maine undoubtedly has a balance or surplus in its treasury, as does the State of New York, and as does the State of California. The Federal Government has no surplus in its Treasury, but has a deficit of $259,800,000,000 as of yesterday morning.

So I am not quite sure that I feel that a great injustice is being done. I am very sympathetic to the academies, as you well know, but I am not quite sure I will buy the idea that a great injustice has been done to the State academy by the Federal Government, when the State government could appropriate more money if it wanted to do so.

Admiral DURGIN. Congressman Phillips, in New York they do not appropriate for any help for any boy to pay for his books or subsistence or his lodging. Every boy, no matter what State college he goes to, in the State of New York, has to pay for those things. Most of them can go ahead and earn some money on the side.

That is all we are asking; to supplement that amount. In return for that you will have these boys for a matter of 8 years in the Naval Reserve, ready to serve if called.

Mr. Thomas pointed his finger at me the last time we talked, and said:

"That word 'if called' is what makes the difference." That is to the advantage of the Government. You have no moral obligation to take them in case there is no need. When we graduate from the Naval Academy you are sort of morally bound, at least, to those boys to allow them to stay in, but that is not so with the maritime school. If you want them you can take them any time during 8 years, no matter what their dependency or financial situation is.

Mr. THOMAS. Thank you very much, gentlemen.

Mr. LEAVITT. May I say one thing off the record?

Mr. THOMAS. Yes, sir.

(Discussion off the record.)

STATE MARITIME SCHOOLS

WITNESS

HON. CHRISTOPHER C. McGRATH, A REPRESENTATIVE IN CONGRESS FROM THE STATE OF NEW YORK

Mr. THOMAS. We have with us today our very good friend from New York, Judge McGrath, whom we all respect very much. Do you have a statement for us?

Mr. McGRATH. Yes, Mr. Chairman. I have a brief statement which I would like to present for your consideration.

One of the matters which has concerned your committee is the question of payment to the young men in our maritime schools. During the Eighty-first Congress this committee saw fit in reporting its bill to the House to cut the $65-a-month payment to the cadets.

A reading of the Congressional Record of April 14, 1949, on pages 4659 to 4669, gives a complete story and a fine evalution of the feelings of the Members of the House on this important question. Last year the appropriation was placed in the Senate bill and in conference was eliminated.

A strong merchant marine is as important as a strong army. It was expressed by the American Legion like this: "We want American Armed Forces carried in safety and with reasonable comfort." Safety can only mean good vessels and the best-trained personnel.

Our merchant marine is not only a vital factor in time of national stress, but it is equally important in time of tranquillity. A strong merchant marine competently managed adds greatly to the national economy of the country. Leadership in the world events must of necessity mean leadership on the economic front.

This we can have by training the American youth and keeping our maritime schools at a high level.

Last year this committee made the monthly payment to the young men at Kings Point. With that we have no quarrel, but in the same bill they took from the cadets at the State maritime schools in California, Maine, Massachusetts, and New York their allotment. That is obviously an injustice. My position is that all of these young men should be treated alike and receive compensation. The argument that one is a State school and the other a Federal school has little weight

when one considers that upon graduation they all will be doing the same work.

These young men voluntarily give up the choice of going to a regular college and confine themselves to the rigor and discipline of a maritime school. The pleasant and carefree existence of college life is not theirs, and unlike the boy attending another university, they do not have their time off in which to earn additional compensation to help them through their college days. These boys must be on duty on Saturday. They must be in their bunks when taps is sounded. Besides their academic work, they must take their watch and work upon the ships. In the main they come from the average American home and in many instances are unable to call upon their parents for financial aid.

The fact that some of these boys started and were paid and then suddenly cut off from compensation by an act of Congress must raise in their minds the thought that what they believed to be a least a quasi contract was nothing but an empty promise.

If this cut stands again this year, many of these boys must drop out and enter other colleges or universities where they will be in a position to earn some money by doing spare jobs. That immediately marks the State schools in these four great States as the colleges of the rich young men because only the rich may attend.

My deep respect for the membership of this committee makes me realize that such a desire would never be in the minds of you, my colleagues.

I urge you, therefore, to give careful consideration to the problem of building up a strong merchant marine. If our ships do not carry our armed forces safely to the port because of lack of trained personnel or because of an inadequate merchant marine, the responsibility rests with us.

The American Legion was right, and I feel that this committee by its action will say to the parents in America: "We will do our part to see that your boys are safely and with reasonable comfort carried on ships under the American flag."

Admiral Durgin, who is president of the New York State Maritime Academy, has an additional statement which he asked me to present to you.

(The statement is as follows:)

STATEMENT OF VICE ADM. C. T. DURGIN, UNITED STATES NAVY, RETIRED, PRESIDENT, STATE UNIVERSITY MARITIME COLLEGE, FORT SCHUYLER, N. Y.

It is hardly necessary for me to review the history of Federal scholarship subsidy payments to cadet-midshipmen engaged in maritime training at the various State maritime academies and the Federal Academy at Kings Point. The subcommittee is aware of the fact that students training to embark upon careers as merchant-marine officers attend the State and Federal maritime schools for the purpose of fulfilling the requirements for licensing as third mates or third assistant engineers in the merchant marine, and ensigns, merchant-marine reserve, United States Naval Reserve. The graduates of the maritime training schools are, in these respects, on a par.

It is a matter of common knowledge that the merchant marine today is desperately short of officer personnel. So critical is this shortage that the regulations governing the licensing of merchant-marine officers have been relaxed to the point permitting aliens to ship on American vessels as second and third officers. With the outbreak of war in Korea and the stepped-up demands of military assistance throughout other parts of the world, the vital role of the merchant marine

in the total picture of our national security and welfare has become more obvious to everyone. Therefore, it seems correct to assume that it is in the general welfare of the United States that the best-trained officers possible be made available to the merchant marine.

To anyone familiar with the training programs in effect at the various maritime schools, it is apparent that the products of these programs will also possess outstanding qualifications as naval officers. By the very nature of the professional course, the rigid military systems in effect at the schools, and the general objectives of the program, it is clear that Naval Reserve officers will be produced with professional fitness that cannot be excelled by the training programs at civilian colleges. Each and every maritime training school fosters, develops, and promotes the ideals of the service in the same sense as the academies at Annapolis and New London.

When the young mariner graduates from one of the State academies or the Federal Academy, he is a finished product, ready and able to perform in a highly competent way a technical job in the merchant marine or the Navy. He needs no further training, no orientation, no "cram courses." Furthermore, he voluntarily agrees in writing to associate himself for 8 years with the Naval Reserve, thereby subjecting himself to a call to active duty no matter what his financial or dependency status during those years. He obligates himself beyond the period of time required by selective service, and for a minimum of 8 years is ready to serve.

The picture I have painted above applies equally to all cadet-midshipmen in maritime training. There is no distinction, logical, or otherwise, between cadet-midshipmen at the State schools and at the Federal Academy. The demands made upon one group are made upon the other; the advantages that accrue to one group should accrue to the other. Consequently, it is difficult, if not impossible, to understand why the cadet-midshipmen at the United States Merchant Marine Academy at Kings Point receive $65 per month base pay plus subsistence in kind (amounting to well over $1,000 per year) while the cadet-midshipmen at the State academies receive only $275 per year subsistence plus $200 per year for books and uniforms.

It is the position of the New York State Maritime College that subsidy parity between cadet-midshipmen at the State schools and those at the Federal Academy should be restored. To continue the disparity would seem quite unreasonable and unfair to the midshipmen at the Maritime College and their parents, who are bearing the burden of the disparity in a very real way. It is also the contention of the Maritime College that Federal scholarship subsidy payments should be made available to all qualified students attending the various maritime schools. For example, only 260 payments are authorized for the Maritime College, and there are over 400 eligible. The principle of parity between the State schools and the Federal Academy has again been violated in that payments for 710 cadet-midshipmen at the State schools are authorized and for a theoretical 710 cadet-midshipmen at Kings Point, but sight is lost of the fact that Kings Point has one whole class, numbering perhaps 200 men, at sea at all times, and that the monthly pay and subsistence received by these cadet-midshipmen is not reflected in the parity figure of 710. The pay of these cadets while serving in a student status aboard the ships of private shipping companies is made by the individual shipping companies which are receiving a Federal subsidy and, therefore, the payment ultimately is being made by the Government of the United States. The actual enrollment at Kings Point, then, is approximately 900, and not the so-called parity figure of 710.

Some individuals have attempted to justify the subsidy parity between the Federal and State schools on the basis of the fact that Kings Point is a National or Federal institution, and the implication being that this status, as such, entitled Kings Point students to special consideration. It is readily admitted that Kings Point is a Federal institution, but it must be pointed out that it is not one in the same sense as West Point, the Naval Academy, or the Coast Guard Academy. These latter institutions train young men specifically for careers in the Federal service. Kings Point trains young men for careers in private industry in the same way as the State schools. It therefore seems evident that there is no special character identifiable with Kings Point which would set it apart in any way from the State maritime schools.

Mr. THOMAS. Thank you very much for that nice statement.

CONSTRUCTION OF HOSPITAL FACILITIES, WINTER VETERANS' HOSPITAL, TOPEKA, KANS.

WITNESS

HON. ALBERT M. COLE, A REPRESENTATIVE IN CONGRESS FROM THE FIRST DISTRICT OF THE STATE OF KANSAS

Mr. THOMAS. Will the committee please come to order.

We have with us this morning our distinguished colleague, the gentleman from Kansas, Mr. Cole. We are delighted to have you here and we welcome any suggestions or good advice that you may have to give to us.

Mr. COLE. Mr. Chairman, the matter about which I desire to testify is not contained in the budget but it is a problem which I think is tremendously important and which I want to call to the attention of the committee.

This has to do with the Winter Veterans' Hospital at Topeka, Kans., which is a psychiatric hospital.

I have personally inspected the hospital a number of times. Recently, last fall, I asked the manager of the hospital to prepare for me a memorandum concerning the conditions at Winter Veterans' Hospital. He has presented to me a memorandum which was at my request, and I have examined it since receiving it.

I personally saw the conditions described in this memorandum and know that the description is correct; that the memorandum correctly states the conditions.

I believe that the veterans who are mentally ill are entitled to the consideration of Congress by the construction of a hospital to give them proper treatment. That is all I am going to say for the time being.

I want to make this a part of the record in order that when the time comes either through the budget or some time in the future when we may be in the position to consider the construction of a new hospital for the veterans in Topeka, then the matter will be familiar to the committee.

I would like to have this in the record because it is an exceptionally good memorandum and it is an exceptionally important thing.

Mr. THOMAS. We will put that in the record.

(The memorandum referred to is as follows:)

1. Reasons for a Veterans' Administration hospital in Topeka, Kans.

In 1945, because of the rapid demobilization of our Armed Forces, the number of veterans eligible for medical benefits increased from a little over four million to approximately twenty million. The Veterans' Administration had urgent need for more hospitals and for trained medical staffs in those hospitals. This was especially true in psychiatry, for more than one-third of all medical discharges during the war had been for personality problems, or mental illness, and an increasing number of mental disorders were expected to manifest themselves in future years.

It was evident from the start that there were not nearly enough specialists in psychiatry and related fields to do the job that needed to be done, and that new specialists were not being trained in the needed numbers. To meet this problem, the Veterans' Administration established residency training programs in various medical specialties.

There was also evident a definite need for many more hospital beds to care for returning veterans. A particular need was recognized for veterans in the area centering around Topeka, Kans., including parts of the States of Kansas,

Oklahoma, Missouri, and Arkansas. The Veterans' Administration took over the 1,400-bed hospital plant built and previously operated in Topeka by the United States Army. Topeka was selected for two principal reasons: There was a need for expanded neuropsychiatric services to veterans in the area; and, of equal importance, Topeka had been known for some years as one of the leading psychiatric centers of the United States.

By locating a neuropsychiatric hospital in Topeka, it was possible for the Veterans' Administration to make arrangements with the private, nonprofit Menninger Foundation for assistance in supervising the treatment of veterans and the teaching of a relatively large number of resident physicians in psychiatry, neurology, and related specialties. These arrangements, and the fact that Topeka is a nationally recognized psychiatric center, enabled this hospital to secure from the start a staff of adequate size and more than adequate caliber. Although the national emergency has created some difficulties in maintaining a complete staff in all specialties, particularly in surgery, this psychiatric hospital has continued to receive from psychiatrists more applications than it has positions available.

This evidence of the wisdom of the Veterans' Administration in locating this hospital in Topeka is the more meaningful when contrasted with the extreme difficulties experienced by the VA in staffing many other of its hospitals, particularly those remote from established medical centers.

Further evidence of the wisdom of establishing a hospital in Topeka is shown by the fact that, from January 1946 until the present, 25,415 patients have been admitted here for treatment—a relatively large number for a hospital whose beds are predominantly neuropsychiatric. Nor do these figures tell the whole story: there are many more applications for admission (particularly on behalf of mental patients requiring closed-ward care) than the hospital has facilities to accommodate. At the present time, there are 141 veterans on the waiting list for closed-ward treatment.

During its relatively short period of operation, this hospital has gained national and some international reputation, both as a place to which veterans may come for treatment, and as a place where physicians may come for psychiatric training. Its worth has been recognized by the Veterans' Administration, which has consistently included it in its plans for future development of hospital beds.

From the time that the physical plant of this hospital was taken over from the Army, it has been evident to the Veterans' Administration that it is not of the type best suited for the care of neuropsychiatric patients. It has always been on the VA's schedule for a new and permanent physical plant. For this purpose, additional land adjacent to the present hospital grounds was purchased in 1948, at a cost of approximately $400,000. Funds for the new plant itself have not yet been made available, however, despite increasing need and mounting maintenance problems and expense.

2. Description of the present hospital plant

The physical plant of the Veterans' Administration hospital in Topeka was originally constructed by the United States Army in 1942, as a temporary hospital. It was built according to what were then the Army's plans for such installations and consists of many small, one-story buildings spread over a large area and connected by approximately 3 miles of corridors and ramps, some closed and some open. Building walls are of brick-faced tile and, in some cases, of cement block. Interior construction is of wood and plasterboard, with wooden floors. Ceilings are of wood pulp material. Roofs are of wood construction, with inflammable, composition-asphalt shingles.

This plant was constructed rapidly and under adverse weather conditions. Much of the lumber was quite green; its subsequent shrinkage and warping have resulted in considerable difficulty in maintenance. Many of the buildings were placed on newly filled areas which have since settled, causing breakage of sewer and water lines, buckling of floors and a variety of other serious difficulties.

Such construction was not designed for long, continuous use. Nevertheless, the plant has had hard and continuous use—by the United States Army from 1942 until December 1945 and by the Veterans' Administration from December 1945 to the present. As the years have gone by, it has become progressively difficult, and expensive, to operate this plant as an efficient hospital. It is also hazardous.

3. Deficiencies in design and construction of present plant and their effect on the care of patients

This plant was not designed or constructed as a neuropsychiatric hospital. In order to use it as such, it has been necessary to reconstruct—on a temporary basis—a number of the wards. Grilled screens were placed over the windows and doors provided that could be locked. These and other makeshifts have proved far from satisfactory. Light and temporary construction materials continue to present a definite hazard for psychiatric patients. Walls and ceilings of the buildings are easily broken, giving patients many opportunities to injure themselves and others, not to mention the resultant damage to the buildings themselves.

In contrast to acute general medical and surgical patients, psychiatric patients should be away from their wards much of the time in various specific treatment areas such as hydrotherapy, occupational therapy, manual arts therapy, sports, recreation, X-ray, laboratory, dental clinic, mess halls, etc. At present, all of these facilities are provided at this hospital, but, in many instances, at quite a distance from the wards. For mental cases, this requires the services of many psychiatric aides to accompany them. Much time that could be used for treatment purposes is expended in getting the patients from their wards to these areas and returning. If sufficient aides are not available, the treatment cannot be given.

Furthermore, the necessity to move these mental patients to distant areas, particularly along the lengthy corridors of this hospital, with the many doors and windows, increases opportunities for disturbed patients to run away. This, of course, is not only a hazard to the patients, but to the community as well.

Our present plant consists of many small wards, with capacities of about 25 patients each, scattered over an extremely large area. This necessitates the employment of a large number of personnel to give even minimum care. It is true that certain types of psychiatric wards should remain small, but many could be much larger, perhaps twice the present size. This would decrease the number of nurses and aides necessary to take care of these wards for three shifts each day, 7 days each week.

4. Deficiencies in design and construction of present plant and their effect on efficient maintenance and operation

(*a*) *General difficulties in maintenance.*—The rapid rate of deterioration of the plant as a whole makes it impossible to carry out a normal program of long-term preventive maintenance. In 1947, approximately 400 feet of one of the corridors began to fall. This leaned over to one side approximately 6 inches. It was necessary to brace this inside and outside with heavy timbers to make it safe for use. On another occasion, the wooden trusses holding up the roof of one of our mess halls began to give way. It was necessary to install heavy posts from the ground beneath the floor to these trusses for adequate support. Several buildings in the plant have concrete floors laid on sand fill. These are now settling, the floor cracking to the point of needing complete replacement.

All we are able to do is keep up with the most urgent emergency repairs as they arise from day to day. Even this limited program requires more maintenance personnel, including plumbers, carpenters, painters, electricians, repairmen of all types, than would be necessary in a permanent-type plant. The long corridors of this plant and its scattered buildings tax the available janitorial personnel still further.

(*b*) *Sanitary disposal of sewage.*—Contrary to all building codes, sewage disposal pipes of vitrified tile extend under the buildings themselves, joining directly to the plumbing fixtures. (Good building practice requires the use of cast iron pipe in such instances.) As the buildings have settled, many of these tile sewer lines have cracked and sewage has flooded under the ward buildings where patients are housed and treated. These breaks, of course, have been repaired as they have occurred, but the many similar installations which remain are a continuing threat to the health of our patients, not to mention a source of anticipated further expense.

Furthermore, breaks in these sewer lines cause a heavy inflow of surface water into the sanitary sewer system following every rain, overloading the sewage pumping plant of the hospital and the sewage system of Topeka as well. This has led to considerable complaints by the city of Topeka and by nearby residents.

To correct this condition, it would be necessary to uncover and relay the entire sewage system.

(c) *Plumbing.*—As installed by the United States Army, the hot and cold water lines, hot water heaters, and plumbing fixtures consist of cheap, wartime material—in most cases of black steel instead of galvanized wrought iron or copper or brass as they should be. They rust rapidly and require constant maintenance and repair.

The main underground water distribution lines were laid on loose earth fill. As a result, there have been many breaks in these lines, causing inconvenience in the care and treatment of patients, as well as expensive repairs.

(d) *Leaks in roofs.*—The buildings are covered with composition tab shingles. The pitch of the roofs is too flat for this type of roofing material, and the high winds prevalent in this area are constantly breaking and blowing these shingles off, causing many leaks and many repairs. The corridors are covered with rolled composition roofing which has deteriorated with age. The resulting leaks have in turn brought about the rotting of the wooden floors beneath and the destruction of the linoleum covering them. Constant repairs are necessary through approximately 3 miles of such corridors.

(e) *Decentralized cooking facilities.*—Four separate kitchens and mess halls are in operation although a single one would be preferable. Much of the equipment installed in the kitchens by the Army is of poor, wartime material which must frequently be replaced. Well-designed, centralized cooking facilities with proper kitchen equipment would be much more efficient and would result in a considerable saving in dietary personnel.

(f) *Boiler plant and steam distribution system.*—The boiler plant at this hospital was constructed with old, used boilers, some of them 30 years old. They were designed for the use of fine, soft, stoker coal. The quipment for handling the coal and bringing it to the boiler is of an old and inefficient type, requiring constant, expensive maintenance and repair and more personnel than would be needed to operate modern type equipment. The main steam distribution lines are definitely undersized and are inadequately insulated. This results in an inadequate steam supply to the buildings farthest from the heating plant. In extremely cold weather, it is impossible to get enough steam to these areas to properly heat them for patient care. It is also impossible to keep the corridors properly warm.

The pipelines that return condensed steam from radiators and other steam equipment are of black steel. The rusting of these lines causes extensive loss of efficiency in the operation of the heating plant, adding materially to the cost of furnishing steam throughout the hospital.

(g) *Roads.*—The road system within the hospital grounds was made by covering a simple dirt base with a thin asphalt topping. These roads are now breaking down under constant and heavy use, requiring continuous and expensive repairs.

(h) *Painting.*—The light type of construction employed in this hospital requires a very extensive and costly painting program to prevent deterioration and to keep the hospital wards barely presentable for patients to occupy. This represents many thousands of dollars more than it would in a permanent-type plant.

(i) *Fire hazard.*—It is evident that the use of buildings constructed of highly inflammable materials constitutes a major fire hazard, particularly to the safety of mentally incompetent patients, even though many of the buildings are equipped with sprinkler systems. Only the vigilance of the hospital staff has prevented a major and tragic holocaust from developing.

SUMMARY

In this memorandum, I have tried to point out the role which this hospital plays in the total national program of the Veterans' Administration and to explain the principal reasons for its location in Topeka. I have commented on the ability of this hospital—because of its proximity to a nationally recognized medical center—to maintain an adequate and competent staff.

In contrast to this, I have tried to show—as you requested—the serious handicap of our present physical plant, built hastily and of temporary wartime materials by the Army. I have tried to show how inappropriate design and deterio-

rating materials are impeding the efficient treatment of patients and costing inordinately large sums for maintenance and repair.

It is my hope that this memorandum contains the information you requested.

Mr. PHILLIPS. Let me ask Mr. Cole a question, if I may.

I am somewhat familiar with the situation in Topeka and I would like to have Mr. Cole bring out on the record that it is not only a matter of increasing population in the hospital but it is also a matter of using facilities which were built during the war, almost as temporary facilities.

Mr. COLE. They were built as temporary facilities.

Mr. PHILLIPS. And they have never been improved. The work that has been done upon them has been just to keep them from falling to pieces.

Here we have the psychiatric center in the United States, and it is recognized as such in the medical profession. It is not only the logical place to build such a hospital but there is a great need for it.

Now, may I ask you this: What is the present situation regarding an appropriation? Has a request been made—a request by the Veterans' Administration to the Budget Bureau?

Mr. COLE. They have denied it.

Mr. PHILLIPS. They turned it down?

Mr. COLE. By the way, they have the land purchased; the land is ready.

Mr. PHILLIPS. Do you know whether any other request—that is, a request for a hospital at any other location—was approved by the Budget Bureau?

Mr. COLE. Yes.

Mr. PHILLIPS. For a psychiatric hospital?

Mr. COLE. Yes.

Mr. PHILLIPS. One in California?

Mr. COLE. Yes.

Mr. PHILLIPS. Any other one?

Mr. COLE. Not that I know of. I think that is all.

Mr. YATES. May I ask a question?

Mr. THOMAS. Yes.

Mr. YATES. Is that hospital under the supervision of the Menningers at all?

Mr. COLE. No, it is not under the management of the Menningers. The Menningers have a very fine clinic here. They are consultants.

Mr. PHILLIPS. I think we should ask the witness if it is not a fact that the Menningers are on the staff not only as consultants, but we have been obtaining services from them which it would be almost impossible to obtain if fees were paid for them, and further than that, the Menninger Clinic is training psychiatrists who are going not only to this hospital, but to other VA psychiatric centers.

Mr. THOMAS. The committee will inquire of the Veterans' Administration and the Bureau of the Budget about this project and see in detail the necessity and the basis for the Veterans' Administration recommendations for it and the basis for the Bureau of the Budget not complying with that request.

The committee has great respect for your judgment and you can depend on our cooperation.

Mr. COLE. Thank you very much, Mr. Chairman.

AMERICAN BATTLE MONUMENTS COMMISSION

WITNESS

HON. FRED E. BUSBEY, A REPRESENTATIVE IN CONGRESS FROM THE THIRD DISTRICT OF THE STATE OF ILLINOIS

Mr. THOMAS. Gentlemen, we have another of our distinguished colleagues here, Mr. Busbey, of Illinois. Mr. Busbey is a very hard worker and he keeps his hands on a good many affairs of Government. As our colleague, we are delighted to have you with us and if you have some good advice for us we will certainly be glad to listen to it.

GENERAL STATEMENT

Mr. BUSBEY. Mr. Chairman and members of the Appropriations Subcommittee on Independent Offices:

I want to express my appreciation to you for the opportunity to appear before you and give you a report of my investigation of American cemeteries in Europe.

INSPECTION OF AMERICAN CEMETERIES IN EUROPE

While this inspection was not on my original agenda, Mr. Phillips of your committee, upon learning that I expected to spend a great deal of time last summer in Europe investigating certain phases of expenditures of our appropriations, asked me if I would, in addition to my other duties, make an inspection of all of the American cemeteries in Europe.

In inspected all of the cemteries in France, England, Luxemburg, Belgium, Holland, and Italy. When I arrived in Brussels, Belgium, on August 18, 1951, I made an interim report to Mr. Phillips. I understand he made that report available to each member of this committee. I now wish to make an additional report which might be considered my personal plea to this committee.

Mr. Chairman, I would appreciate it if you and the committee would permit me to submit at this point a copy of my interim report dated August 18, 1951, written at Brussels, Belgium, in order that it might become a part of the official hearings.

Mr. THOMAS. That will be done; we are delighted to have it.

(The interim report referred to is as follows:)

INTERIM REPORT

BRUSSELS, BELGIUM, *August 18, 1951.*

Subject: Inspection of American cemeteries in France, Belgium, and Holland.

Hon. JOHN PHILLIPS,
House of Representatives, Washington, D. C.

DEAR JOHN: In accordance with your request shortly before I left for Europe, I have made a rather detailed inspection of the following cemeteries to date: August 5, Waragem Cemetery in Holland and Bong Cemetery and Bellicourt Monument in France (with Col. A. T. W. Moore, officer in charge, headquarters, Paris, France).

The following cemeteries were inspected by me with Brig. Gen. Thomas North, secretary of the American Battle Monuments Commission:

St. Laurent, France
St. James, France
Suresnes, France
Belleau Woods, France
Fere-en-Tardenois, France
Thiaucourt, France
St. Avold, France
Hamm, in Luxemburg
Neuville, Belgium
Henri Chapelle, Belgium
Margraten, Holland

In addition, we inspected the following battle monuments in France: Chateau Thierry, Sommepy, Montfoucon, Montsec.

Altogether I traveled approximately 1,400 miles in order to see these cemeteries and monuments. They are located all the way from the Normandy coast on the west to the border of Germany on the east, and from Paris on the south to Holland on the north.

Before returning to the United States I propose to visit the Draguignan Cemetery in southern France near Marseilles, the Florence and Anzio Cemeteries in Italy, as well as the Carthage Cemetery near Tunis in north Africa. While I visited Brookwood Cemetery, 35 miles southwest of London, I did not get to our cemetery at Cambridge, England, because of the bank holiday on Monday, August 4, and the so-called long week end. Rather than stay around London for 3 days when everything was closed, I took the train to Dover and the boat to Ostend and continued my tour of inspecting cemeteries and monuments. Inasmuch as I shall have to return to England to inspect certain factories and coal mines in the Midlands, I shall go to Cambridge Cemetery at that time.

I shall not submit a final report to you until I return home, after completing my other work and visiting the remaining cemeteries. Nevertheless, because of certain conditions, I thought I should make this preliminary report.

The inspection included the following items:

Walls and fencing:
1. Retaining walls
2. Renpheral walls

Water supply:
1. Wells and tests
2. Sprinkler systems
3. Pumps and pump houses
4. Reservoirs
5. Pipelines

Headstones and foundations:
1. Concrete beams and pilings
2. Setting of headstones
3. Inspection of headstones
4. Accuracy of inscriptions
5. Grading of topsoil

Structures:
1. Reception building and office
2. Superintendent and assistant superintendent quarters
3. Garage group and storage buildings
4. Gasoline storage
5. Fire hazards

Sewers and drainage.

Grading and planting:
1. Procurement of soil-building materials
2. Procurement of topsoil
3. Final grading of grave blocks and other areas
4. Seeding of lawn areas
5. Planting of flowers, shrubs, and trees

Roads and parking areas:
1. Construction of roads to cemetery
2. Construction of parking areas

Memorials and memorial areas:
1. Excavation
2. Weather damage
3. Pointing
4. Replacement of broken and damaged stones
5. General maintenance
6. Inscription of names of missing men

Difficulties of carrying out work overseas:
1. Instability of foreign currencies
2. Escalator clauses in contracts
3. Language
4. Numerous holidays
5. Temperament of people
6. Constant inspection and supervision
7. Standard of construction lower than United States

I am very happy to report that all of the World War I cemeteries are in excellent condition. We, as Members of Congress who have the responsibility for appropriating the money to build and maintain these cemeteries, can be exceedingly proud of every World War I cemetery. It must be a great satisfaction to a mother or father, who had to sacrifice a son on the field of battle in World War I, to see the beautiful surroundings in which he is buried and the painstaking, tender care given his place of rest.

Unfortunately, words could not possibly describe the sickening feeling that would come over me to witness a mother, father, or a brother come to visit a soldier's grave to find the permanent headstone not as yet placed on his grave, or dirt from construction work going on piled high upon it, and the memorial and chapel, where one might go and commune with God according to the dictates of his soul, not completed.

I realize that all these things cannot be accomplished over night. The space of time which has elapsed since the Graves Registration Division of the Quartermaster Corps turned the cemeteries over to the American Battle Monuments Commission has been altogether too short to have accomplished the completion of this work, even if the money had been appropriated and available. However, I sincerely believe that you and I, as representatives of a grateful people and the best and greatest country on the face of the earth, should do everything within our power to see that the sacred work of building World War II cemeteries is carried to final completion at the earliest possible date.

This work should be completed as soon as possible for the following reasons:

1. The mothers and fathers of these boys who gave their all are coming to Europe now, and, for the most part, will come over in the next few years in numbers to view the final resting place of their sons. In most cases the parents are just average people who must deny themselves many of the things they would like to have inorder to scrimp and save enough money to make the pilgrimage. I dare say that in 95 percent of the cases they will only be able to make the one visit. Surely they are entitled to return home with the memory of that boy's grave a beautiful one. You and I, as members of the appropriations committee of the United States Congress, have a responsibility. It is our duty to make it just as easy as possible for them to bear their burden and the sorrow that is locked up within their hearts.

2. After World War I many private organizations and associations of divisions that fought in the war erected memorials of various sizes, shapes, and descriptions, without regard to any well thought-out plan or any means to maintain them. I saw dozens of these all over the battlefields and I am ashamed to

report they have been permitted to go to ruin with grass and weeds growing up around them. These, for the most part, are not only an eyesore, but a disgrace to those in whose memory they were erected. In order to prevent a recurrence of this practice after World War II, Congress, in its wisdom, passed a law which prevented a repetition of this method of erecting memorials. At the time this law was passed giving the American Battle Monuments Commission the legal authority to prevent the erection of private memorials, the private organizations were assured that the United States Government would complete the memorials at the earliest possible date. Regardless of the thoughts of any other Member of Congress, I, for one, never want to stand accused by a Gold Star Mother or Father of having not kept faith with that promise.

3. Any suspension of construction funds will prevent the erection of memorials bearing the names of 80 percent of the more than 80,000 men who were missing in action in World War II. It will also dissipate a laboriously collected technical organization. It is extremely difficult to recruit an organization such as the American Battle Monuments Commission due to the language and special technical skill required. It will also prevent the execution of expensively acquired plans, some of which are already being carried out, while others are ready for execution and the remainder approaching that point. Plaster models of sculpture will have to run the hazards of storage. Mosaics which have been prepared cannot be installed—and in the meantime the artist may die.

4. Another factor, and, in my opinion a very serious one, is that General North, the Secretary of the American Battle Monuments Commission is fast reaching the retirement age. I am sure you will agree that the success of the American Battle Monuments Commission program is due more to General North than any other person.. His tremendous personal interest in the American Battle Monuments Commission program is evident by the long hours he has devoted and the great sacrifices made to accomplish what he has. If we should lose the services of General North before the World War II cemeteries are well near completion, it would cost the taxpayers untold amounts of money. He no longer has to work by trial and error, but has the knowledge of all the places where the work could have been done better on World War I cemeteries to contribute to the present construction of World War II cemeteries. There just is no substitute for honesty, efficiency, and experience. His experience and knowledge are saving thousands and thousands of dollars every year.

I would like to go into more detail regarding the above-mentioned subjects as well as many I have not touched upon. However, I will let them go for the time being because I want to get this preliminary report to you as soon as possible. I think it imperative that the minimum amount of money that should be appropriated for this work in fiscal 1952 is the $4 million recommended by the Bureau of the Budget. I am hopeful that this letter will reach you before the Senate passes on the appropriations and that you will use it as a basis for urging Senator Maybank to vote for the $4 million. This isn't even peanuts when compared to the $125 billion we have appropriated to help foreign countries since World War I. Will you also give a copy of this report to Al Thomas and the other members of your subcommittee in an effort to get them to recede and agree to the Senate amount, in the event it is more than the $3 million allowed by the House.

I wish to asure you that I am more than pleased with the assignment you gave me and from now on you can expect me to take an active interest in the affairs of the American Battle Monuments Commission.

My best wishes to both you and Mrs. Phillips.

Sincerely yours,

FRED E. BUSBEY.

Mr. BUSBEY. In the case of every American cemetery the title rests with the host government which gives us the use of the property in perpetuity free of taxes. There are some unknown buried in every cemetery and inscribed on the walls of the chapels are the names of those missing in action in the conflict in that particular area.

There are 124,153 graves which come under the jurisdiction of the American Battle Monuments Commission; 30,908 of these are World War I graves, and 93,245 are World War II. There are 8,139 unknown buried in these cemeteries; 1,647 of them are World War I,

and 6,492 are World War II. There are 4,450 missing in action from World War I and approximately 83,000 missing in action during World War II.

During my inspection of our cemeteries in Europe I took many pictures, as well as several hundred feet of colored movies. I hope I may have the pleasure of showing these to this committee someday.

I particularly call your attention to the importance of paragraphs marked "Nos. 1, 2, 3, and 4" of my interim report submitted to the Honorable John Phillips. In addition I would like to make the following report of my personal inspection of individual cemeteries and battle monuments in Europe.

I shall not take the time of the committee to read it, but I would like to have it included in the record.

Mr. THOMAS. That may be done.

(The material referred to is as follows:)

BROOKWOOD CEMETERY

Visited Sunday, July 29, 1941. World War I. 4½ acres, 468 graves, 41 unknown, 563 names of missing, superintendent, Mr. Ryan.

It is located about 30 miles southwest of London. The headstones have been in for 24 years and they are washed twice a month. I was particularly impressed with this cemetery, not only because it was kept up in absolutely perfect condition but with the contrast between the beauty of this cemetery and the shabbiness of the cemeteries of our Allies of World War I in the immediate vicinity. The relatives of anyone buried in this cemetery could not help but be moved by the care given the loved one's grave. The comparison in the American cemetery over the British cemetery is more obvious due to the fact that one is compelled to drive through a section of a local British cemetery that certainly needs much attention in order to reach Brookwood. While one is gripped with a feeling of disappointment as he starts driving off the main highway, nevertheless, when he actually arrives at the American cemetery he cannot help but feel a sense of pride being a citizen of a country that gives such splendid attention to the graves of those who gave their lives in the service.

WAREGEM CEMETERY

Visited Sunday, August 5, 1951. This is a World War I cemetery in Belgium comprising 6 acres. There are 368 graves, 21 unknowns, and the names of 43 who were missing in action appear on the wall of the memorial. The memorial was erected by the American Battle Monuments Commission and is small because Waregem is a small cemetery. The superintendent is Mr. D. E. Forges. The bodies of men killed in both World War I and World War II are buried here.

BONY

Visited Sunday, August 5, 1951. World War I. 14½ acres, 1,836 graves, 131 unknowns, and 333 names of missing in action. The superintendent is Mr. Overstake. This cemetery is dependent upon the Battle Monuments Commission for maintenance. One of the problems is an adequate supply of water. There is one well, but the Commission has been able to get water from local sources. Here, as may be expected, whenever there is a drought, the local needs have to be met and the cemetery suffers. The Commission has a long-range program ahead to improve the water system.

BELLICOURT MONUMENT

Visited Sunday, August 5, 1951. It is a beautiful sculpturing built over a canal tunnel which was constructed by Napoleon. It stands very high between Lille and Paris and more particularly between St. Quentin and Cambrai.

SURESNES CEMETERY

Visited Tuesday, August 7, 1951. World War I and II. Covers 7½ acres. There are 1,541 graves, 6 unknowns, and the names of 974 missing in action. Superintendent, Mr. Brady, assistant superintendent, Mr. Santini. This was originally a World War I cemetery but has recently included 24 World War II graves. The memorial was being enlarged when I was there and should be ready by Memorial Day of 1952. In my opinion, the location is a very strategic one. It overlooks the whole city of Paris from the steps of the chapel. This is the cemetery to which come the representatives of the French Government and the American Ambassador on ceremonial occasions to render homage to our dead because it is so close to the Capital. This is the reason World War II dead are buried there and why the memorial is being enlarged. It constitutes a shrine to the dead of both wars. The graves of those 24 World War II are actually laid out in the shape of a cross and they are all unknowns.

ST. LAURENT CEMETERY

Mr. BUSBEY. However, I would like to read this portion about the St. Laurent Cemetery.

This is a World War II cemetery located in France; visited Friday, August 10, 1951; covers 146½ acres. There are 9,390 graves, 304 unknowns. The number of missing in action has not as yet been determined accurately but it is my understanding it will total approximately 83,000 for all cemeteries. The superintendent is Mr. Brashear.

This cemetery is located on the Normandy coast at the point which was known as Omaha beach during the invasion June 6, 1955. The placing of the permanent white-marble headstones was started 4 days prior to my arrival and it was estimated at that time they would probably be able to erect approximately 1,500 headstones per month. Allowing for unforeseen delays and difficulties, the setting of all headstones should be completed long before the end of 1952.

At the time of my visit they were just in the process of excavating the site of the memorial. A contract was let in June and it should be completed by the middle of 1953.

I thought the location of this cemetery was particularly appropriate inasmuch as it is about 160 feet above the sea, right on the edge of the bluff overlooking many miles of invasion beachhead. I was tremendously impressed to see the numerous ships that had been sunk about a mile offshore in order to insure the success of the landing of our troops. It added a great deal of significance to the location of the cemetery and the ships themselves were a tribute to the boys who sacrificed their lives in the invasion. However, I was tremendously disappointed to be informed by Gen. Thomas North, Executive Secretary of the American Battle Monuments Commission, that the French Government had recently contracted with a Belgian salvage concern to dismantle the boats for scrap. Upon returning to Paris I took the matter up with our United States Minister, Mr. Philip W. Bonsal, as to what might be done to prevent any further dismantling of the ships in order that they remain as a monument and memorial. Mr. Bonsal agreed to check into the matter and give me a report on the

situation. The following letter, which I believe is self-explanatory, was dated August 17, 1951, and caught up with me in Germany:

AMERICAN EMBASSY,
Paris, August 17, 1951.

DEAR MR. CONGRESSMAN: I refer to our recent conversation about Omaha Beach, the cemetery, and the sunken ships.

The idea that the naval ships of all descriptions that were sunk in the waters adjacent to the beach should be preserved as historical relics and as monuments to the battle which was fought there and to the liberation of France has been one in which both our Government and the French Government have been most interested since 1945. In fact, when title to the property in question was transferred to the French Government in 1947, it was the hope of both Governments that this idea would be executed. It was found by the French authorities, however, that maintenance of the wrecks was virtually impossible, that there was continual pilferage, and that in any case the sunken ships would disappear in a matter of a few years. I am sure you are aware of the fact that the winter storms on this coast are particularly severe. It was also alleged that many of the larger vessels constituted a danger to the navigation of local fishing boats.

It was consequently suggested by the French Government and agreed to by us that the remaining hulks might be sold as scrap in order to raise funds for the construction of permanent monuments on the beach and in the general area.

Sincerely yours,

PHILIP W. BONSAL.

My personal opinion of the matter is that this whole action on the part of the French authorities was uncalled for, unnecessary, and the few francs they could receive for the ships as scrap is insignificant compared to the billions of dollars we have been giving them to support their Government. I personally think our State Department should not only have requested the discontinuance of dismantling of the ships but demanded that it not be done. I can only say that I am terribly disappointed our Government would permit the French Government to commit such an act. Those ships were a tribute to our boys who sacrificed their lives to liberate France from the Germans and would mean much to visiting parents and wives. This is our only cemetery in Normandy and is more prominent in that it represents those who died at both our landing and the operations which followed.

The most serious problem here in maintenance is water. The American Battle Monuments Commission has had difficulty finding an adequate supply of water to maintain a sprinkler system. It was discovered that drilling wells 2 or 3 miles away would be an extravagance, so they decided to drill at the side, knowing that some water, perhaps inadequate for their program, is available, but since that is a very damp area they felt they would be able to develop the cemetery in a perfectly satisfactory manner, meeting conditions with respect to water.

There is need for a guest house in this area. There are no hotels of American standards for many miles, and it might be a good idea to construct a small temporary guest house which would disappear when its use is no longer needed. This would afford families who come so far comfortable accommodations.

So many of these cemeteries are located so far away from housing or means of communication that there should be some place where there would be accommodations for visitors to stay overnight.

Mr. PHILLIPS. If I may interrupt, this subcommittee suggested a small house to the American Battle Monuments Commission, and I was under the impression that that was being considered by the Commission.

Mr. BUSBEY. Well, that may be. I have not discussed it with anyone.

I have reports on some other cemeteries, which I will not take the time to read, but I would like to have them included in this record.

Mr. THOMAS. That may be done.

(Reports referred to are as follows:)

ST. JAMES CEMETERY

Visited Saturday, August 11, 1951. Covers 26¼ acres, 4,410 graves, 96 unknowns, names and missing undetermined. Superintendent, Mr. Wallace. These are the men who died fighting as our troops broke out of the beachhead and as they swept across France to the eastern frontier. Setting of headstones started May 21, 1951, and it is my understanding the entire job of setting the headstones was to have been completed the latter part of 1951. Excavation for the memorial and the ditches had been completed. The contract for the memorial was let on May 16, 1951.

A well is being dug in a valley in stream bed below the cemetery and adequate supplies of water are assured. The sprinkler system has been installed. The memorial is being built of local stone. The Commission found that other types of stone would be too expensive and the local stone produces a memorial which will fit with the architectural plan of the region.

Again, this is a situation where there is absolutely no modern accommodations whatever for visitors who might arrive at the cemetery late in the day and no chance of getting back into Paris that evening. The same situation exists at this cemetery as at St. Laurent for consideration of a guest house.

BELLEAU CEMETERY

Visited Monday, August 13, 1951. World War I, 42½ acres, 2,088 graves, 249 unknowns, 1,058 names of missing. This cemetery is situated 3 miles outside of the village of Chateau Thierry. The superintendent is Mr. Revoir. This, like all World War I cemeteries I visited, was maintained in very excellent condition. Opposite the cemetery gate is the village church rebuilt as a memorial to its dead by the State of Massachusetts.

Behind the cemetery is Belleau Wood, which is part of the responsibility of the Battle Monuments Commission. This is the ground that was so bitterly contested and finally won by the United States marines. Evidences remain of the trenches, and there are vestiges of the bitter battle. This is a great point of interest to many visitors.

CHATEAU THIERRY MONUMENT

This monument is high on a ridge overlooking the town of Chateau Thierry and the Marne River. This is a tall colonnade with sculptured figures of the United States and France, with inscriptions and other means of recalling the achievements of the American forces who fought in this region. It is very popular as a park to the local people.

FERE-EN-TARDENOIS CEMETERY

World War I. Visited on Monday, August 13, 1951. Covers 36½ acres, there are 6,012 graves, 597 unknowns, and 241 names of missing. The superintendent is Mr. Moses. Sergeant Joyce Kilmer was buried in this cemetery. He was the composer of Trees and other famous ballads and songs. I noted his name as we walked among the headstones, which are all exactly alike except that the Jewish dead have a Star of David instead of a cross, but the same general size.

Here again the Commission is having difficulties with its well and on its long-range program is the improvement of its water supply.

SOMMEPY MONUMENT

Visited Monday, August 13, 1951. This monument is on a ridge 22 miles from Reims and commemorates the achievements of our forces in World War I in the Champagne region.

MONTFAUCON MONUMENT

Visited Monday, August 13, 1951. This is a stately tower surmounted by a figure of freedom honoring the dead of World War I. It is 18 miles north of Verdun and it commemorates our victory in the Meuse-Argonne Battle. It is 170 feet high, equivalent to 13 stories, and I climbed the steps. There is a circular stairway inside the monument which leads to the observation tower 13 stories above its base. From the observation tower one gets a wonderful view for miles and miles of the Meuse-Argonne battlefields. Many of the trenches and vestiges remain of World War I. That evening I was permitted to stay at the guest house at Romagne where relatives of the dead are permitted to lodge overnight for a nominal charge. This charge is small and just enough to defray the expense of operation without profit.

ROMAGNE CEMETERY

Visited Tuesday, August 14, 1951. World War I cemetery. Covers 130½ acres, there are 14,243 graves, 485 unknowns, 954 names of missing. The superintendent is Mr. Kaess, assistant superintendent, Mr. Michanovitch. It may be interesting to the committee to know that Mr. Michanovitch remained in charge of one of our cemeteries during the German occupation at considerable risk to his own liberty.

This is by far the largest American cemetery in Europe and certainly one of the most impressive. It is a point of call every day for many bus loads of foreign visitors. It was my opinion that there are no particular problems there, except routine, which are readily handled.

MONTSEC MONUMENT

Visited Tuesday, August 14, 1951. This is a World War I battle monument and it is situated on a high hill overlooking the St. Mihiel battlefield. It is a tall circular colonnade. Inside is a panorama which the visitors may inspect and compare with the ground that they see from the hilltop and visualize the battle.

THIAUCOURT CEMETERY

Visited Tuesday, August 14, 1951. World War I. Covers 40¼ acres, there are 4,152 graves, 117 unknowns, 284 names of missing. Superintendent, Mr. Gorham; assistant superintendent, Mr. Blaise. Here again the American Battle Monuments Commission was having trouble with its well and had a problem of revamping the well and water supply system. This cemetery also has limited guest accommodations for visitors and it is necessary for them to be lodged somehow in the superintendent's house.

EPINAL CEMETERY

Visited Tuesday, August 14, 1951. World War II. Covers 50¼ acres, there are 5,256 graves, 70 unknowns, and the names of the missing not yet determined. Superintendent, Mr. Keithley. When I was there they were building an approach road up the hill; and were building a perimeter wall around the cemetery. All headstones were in; and they had started the foundations for the memorial and for the flagpole, which lies at the opposite side of the cemetery. They were digging the well for water. Along the open end of the property there is a canal which feeds water to the French canal system. Seepage from this canal aggravates a damp condition in the woods. In order to protect construction work from any damage from this water, the Commission is digging deep ditches on the uphill side. I understand the Commission was successful in persuading the French Government to line the canal with concrete and that this project is already partly completed.

This cemetery is on a bluff overlooking the valley of the Moselle River, and makes a very picturesque and beautiful setting. It is a fitting tribute to the dead who were killed in the fighting between here and the Rhine, and in the southern part of Germany.

ST. AVOLD CEMETERY

Visited Tuesday, August 14, 1951. World War II cemetery. One hundred thirteen and one-half acres, 10,500 graves, 142 unknown, number of names missing not yet determined. Superintendent, Mr. Killian. This is the largest World War II cemetery in Europe. At the time of my visit they had just started setting the white marble headstones and they should complete the work sometime in 1952. Headstone foundations were in and the grading work was progressing satisfactorily. A well was being completed a short distance from the cemetery and indications were that there would be an adequate supply. The site itself is rolling, partly backed by woods. Both here and at Epinal there is the guest house problem. Accommodations for visitors should be given very serious consideration at this location. There is no hotel or acceptable standard of accommodations closer than Metz, which is some 25 miles way.

HAMM CEMETERY

Visited Wednesday, August 15, 1951. World War II. 51¾ acres, 5,080 graves, 99 unknown, missing not determined. This cemetery is located in Luxemburg City. This is a beautiful site completely framed by trees and the cemetery contains the grave of General Patton. The headstone foundations were being built. At this cemetery I learned that General North discovered the headstone foundations were not coming up to specifications. He immediately called the Paris office and directed that all payments on the contract be stopped immediately and no further funds disbursed to the contractor until the work was performed properly, according to specifications. I merely cite this as evidence of the very efficient way in which General North looks after every minute detail in the construction of our cemeteries. He knows exactly how everything should be done. The memorial has had to be deferred because of lack of funds. It was my understanding the work of setting headstones would be completed during the year 1952. There apparently are no water troubles because of municipal water supply.

NEUVILLE-EN-CONDROZ CEMETERY

Visited Wednesday, August 15, 1951. World War II cemetery. 91¾ acres, 5,594 graves, 763 unknown, missing undetermined. Superintendent, Mr. Eitlund. This cemetery is located in Belgium about 12 miles southwest of Liége. This was the last cemetery to be transferred to the American Battle Monuments Commission by the Graves Registration Service. The transfer was effected July 1, 1951. It is a beautiful location, framed on three sides by woods with a view overlooking an old castle. I found no particular difficulties. A new highway is being built by the Belgian Government which will afford quick access from the city of Liége to the cemetery entrance. The memorial is being deferred because of lack of funds.

HENRI-CHAPELLE CEMETERY

Visited Wednesday, August 15, 1951. World War II cemetery, 57½ acres, 8,000 graves, 89 unknown, missing undetermined. Superintendent, Mr. Dewey. At this site the Commission had some difficulty with one of the farmers about a building. The buildings on the premises have been utilized without erecting new buildings. There is a splendid view out over the landscape for miles around. Headstone foundations are in and they were grading when I was there. They should be setting headstones late in 1952. Here, again, the memorial has been deferred because of lack of funds.

MARGRATEN CEMETERY

Visited Wednesday, August 15, 1951. World War II cemetery in Holland, 65½ acres, 8,300 graves, 107 unknown, number of missing undetermined. Superintendent, Mr. Strarup. This cemetery is visited by enormous numbers of people. I was told that on Memorial Day 11,000 attended the memorial services. All headstone foundations are in and the setting of the headstones will start in 1952. Here also the monument is being deferred for lack of funds.

FLORENCE CEMETERY

Florence, Italy. Visited Tuesday, September 25, 1951. World War II; 53 acres; 4,400 graves; 207 unknown; number of missing undetermined; superintendent, Mr. Lack. This cemetery is located about 6 miles south of the city of Florence. It lies on the main highway from Florence to Rome on the side of a hill, at the south of which runs a little mountain torrent. There is a beautiful background of trees and I was particularly impressed with the umbrella pines. The Commission has produced water from a well in a stream bed. One of the problems is the control of the little torrent. It will ultimately be necessary to build a permanent bridge across it. I learned that the Grave Registration Service of the United States Army entered into a contract where we pay $40 a month for rental of the present bridge. When the bridge was erected by the Italian Government it was done at our request. When the American Battle Monuments Commission took over the cemetery, they started negotiations to cancel the rental on the bridge. This is another instance of the eagle eye of General North for economy in his operations.

The monument is one the Commission contemplates for this fiscal year. It will not, however, start the monument unless there will be sufficient funds in 1953 to complete it. The headstone foundations are in and also a sprinkler system. Headstones should start being placed around the end of 1952. In my opinion the completion of this cemetery should have a high priority due to the fact that it is on the main automobile road between Florence and Rome. Even driving on the road one obtains a very beautiful and lasting impression of an American cemetery. I think it important that it be completed at the earliest possible date.

ANZIO CEMETERY

Visited Saturday, September 29, 1951. World War II; 76¾ acres; 7,859 graves; 489 unknown; numbers of missing undetermined; superintendent, Mr. McGarity. It is located about 25 miles south of Rome near the site of the landings to establish the Anzio Beachhead. The program of setting headstones was practically completed when I was there. Prior to my visit there was a flash flood unprecedented in local records. It damaged the concrete reservoir of 800 cubic meters, which was practically completed before my arrival. The flash flood moved the reservoir off its foundation and the contractor, in trying to put it back where it belonged, cracked the reservoir. No one could possibly have foreseen the incident and the flood caused other damage in the cemetery. It is my understanding the Comptroller General has determined the matter of the reservoir should be arbitrated. At this cemetery some of the permanent planting has been done, the contract for the work was let on September 17, 1951, I understand, and the foundation for the memorial is being dug. Trees are on the ground and a sprinkler and drainage system is under way. The cemetery is about one-half mile from the sea.

DRAGUIGNAN CEMETERY

Mr. BUSBEY. Mr. Phillips, you were particularly interested that I inspect the Draguignan Cemetery in the southern part of France.

Mr. PHILLIPS. That was one of the two cemeteries that I had not visited myself and I was anxious to know about it because I had reports of delay.

Mr. BUSBEY. Because of your interest, I will take the time to read my inspection and conclusions on that cemetery.

Draguignan Cemetery. Visited Tuesday, October 9, 1951. World War II; 12 acres; 861 graves; 62 unknown; number of missing undetermined; superintendent, Mr. Rhodes. This cemetery is in southern France about 25 miles west of Cannes. Buried here are the dead of the landings on the south coast of France in August of 1944. Frankly, I was not too happy about the location. It is at the edge of the village adjoining a very, very old French cemetery and across the street from some French army barracks. Notwithstanding this location, much has been done to overcome this objection by the building of a

retaining wall on the west and adding to the beautification and landscape of the scenery. Replanting of olive trees in the cemetery has done much to improve the appearance, adding local color and atmosphere. Headstones had all been erected and they had screened off the site of the memorial. One of the features of this particular cemetery is that the Commission had to establish a quarry on the grounds in order to save money. Water is being drilled on the site and adequate supply seems to be assured.

Now, if I may, Mr. Chairman, I will jump down to the general summary which I think is the important part of the report of special interest to you. I would like to have the matter about the Cambridge Cemetery, however, in the record.

Mr. THOMAS. Yes.

(The matter referred to is as follows:)

CAMBRIDGE CEMETERY

Visited Sunday, October 28, 1951. World War II; 30½ acres; 3,811 graves; 24 unknown; number of missing undetermined; superintendent, Mr. Cetola. This cemetery lies about 3 miles west of the city of Cambridge in which is located Cambridge University. It is on a hillside, framed on two sides by woods, and looks out over a broad plain to Ely Cathedral. The contract for the memorial was let February 26, 1951, and the memorial was being built. One of the problems there is the difficult soil with which our men have to work. The headstones are being erected and the work should be finished some time around the middle of 1952. I believe 592 stones were set when I was there. It seemed to me that the headstones were not lined up evenly as to height and I reported this observation to the Commission. Foundation for the chapel was in when I was there and the foundations for reflection pools were in. There was a retaining wall, one side of which was around 3 feet 6 inches and on the lower side it was much less. It was my opinion the wall should have been the same height all around, at least high enough so no one could climb over, but I was told it was made in this manner in keeping with British architecture. I was assured no children in Britain were permitted to play in cemeteries.

GENERAL SUMMARY

Mr. BUSBEY. 1. I was very pleased to find the premises on all the cemeteries clean and neat, particularly around the buildings used for workshops and equipment, storage, et cetera. I could readily appreciate that General North does not tolerate rubbish, old materials, and matter of any nature that would detract from the beauty of the cemeteries, whether visible to the public or in the portion used or designated as tool sheds or workhouses. In each instance, General North paid particular attention to see that nothing which could be considered a fire hazard was permitted, and that all fire-equipment was in working order and located at a most strategic point for use in the event an occasion arose where it was needed.

2. I sincerely feel that the appropriations for the memorial chapels in World War II cemeteries should be granted at the earliest possible date. The relatives visiting the ceremteries should not only have an appropriate place, but one of beauty and solemnity, in which to retire for meditation and prayer during the visit to the cemetery. These memorial chapels are not as most people think, a small roadside chapel. They are designed to be real monuments to our honored dead, in keeping with the dignity and manner in which the United States is known to handle matters of this kind throughout the world. It is on the walls of these memorial chapels that the names of all of the men

missing in action in adjoining territory are inscribed. That is the only place on the premises that we so honor them.

3. I recommend that under certain conditions some provision be made for having appropriate pictures made of the graves. These should be made available upon request to those relatives who cannot afford to visit the cemeteries in Europe.

4. Since World War I the Congress has appropriated approximately $65 billion for living veterans. While it is absolutely necessary to do everything possible that is expected and required of a grateful Government for the living veterans, and particularly those who have been maimed and confined to hospitals for life, the families and relatives of our honored dead are entitled to the best possible treatment by our Government. In comparison with the $65 billion which we have spent for the living veterans, I think the sum of $5 million for the erection of memorials and the construction work on the cemeteries of our men who lie buried in Europe is very modest. If the work of completing the cemeteries of World War II in Europe is not expedited, I am sure it will have a discouraging and detrimental effect upon the morale of the sons and brothers of these men who lie in foreign soil when they must answer the call to our colors. I sincerely hope that in the wisdom of this committee you will recommend the full amount requested by the Bureau of the Budget.

5. In paragraph No. 2 in my interim report I pointed out the necessity for erection of war memorials as soon as possible. The United States has assured private organizations that in denying permission to them to erect memorials we intend to erect a suitable one in each instance. Although the law did not guarantee erection of these memorials, we implied by expression that the United States would do so. If we prohibit units from erecting memorials with the promise that we will erect them, the Government should live up to the promise.

6. The superintendent of each cemetery is a veteran who has served in the Armed Forces of the United States Army and is married to a national of the country in which the cemetery is located. This, I believe, is a very good policy. It has a tendency to keep the superintendent at the cemetery permanently, whereas if he were married to an American girl there would always be the possibility of the lady wanting to return to the United States just about the time the superintendent had become proficient in his duties.

(*a*) I earnestly believe consideration should be given to the problem of leave for the superintendent, similar to that given officers in the Foreign Service, whereby under certain conditions he would be brought to the United States to visit his relatives and friends at stated intervals. Under present conditions it is almost an impossibility. The salary of the superintendent is quite modest and it would take him years to accumulate enough money to make such a trip. In all probability he would never be able to afford it.

(*b*) Workmen in the cemeteries who get pensioned when they retire at $70 to $100 per month are subject to title 26 of the United States Code whereby aliens drawing pensions from the Government have to pay 30 percent income tax. This works considerable hardship on them and should receive consideration.

7. The problem of guest houses at some of the cemeteries should receive early consideration. I experienced the difficulty of attempting to find lodging in places where the cemetery was many miles from

a town. Some arrangements should be made whereby visitors could find lodging for a nominal fee close to the premises.

8. The American Battle Monuments Commission's offices overseas are subject to a ceiling on civilian personnel engaged in administration, maintenance, and construction. This ceiling is set at 450 by law and I feel that the number is so low as to hamper the efficient operation of the offices of the Commission. I witnessed the technical skill required and the difficult task to manage operations. I believe this ceiling should be raised and recommend that you give favorable consideration to making it 575 civilian employees in your appropriations for 1953.

CONCLUSIONS

I am personally convinced that General North, the secretary of the American Battle Monuments Commission, is not only tremendously interested in his work personally, but he is one of the most economically minded men I have ever met in any department of government. I was convinced on my tour of inspection that he did everything possible to economize on the contracts of the cemeteries, even if it only involved a matter of a few dollars. Not one penny of the taxpayers' money has been unnecessarily wasted. General North's record of efficiency and economy could well be set up as a pattern for other administrative officers in government to follow.

My conclusions, gentlemen, prompt me to ask you to give my observations consideration. I hope that you will feel entirely justified in recommending the entire $5 million requested for the fiscal year 1953 and approved by the Bureau of the Budget. We have an obligation to those who sacrificed their lives for our country and lie in foreign soil. I believe it is of the utmost importance that the American Battle Monuments Commission be permitted to complete its program at the earliest possible date. The result will be a symbol to the world of the dignified reverence in which we hold the memories of our honored dead. In my opinion any delay in completing the American cemeteries in Europe is false economy, because the longer we delay the construction program the greater the cost will be to the taxpayers.

Again, may I assure you of my sincere appreciation for the privilege of appearing before your committee in behalf of this matter which is so dear and close to my heart.

Mr. PHILLIPS. Mr. Chairman, may I interrupt to ask something off the record?

Mr. THOMAS. Yes.

(Discussion off the record.)

LIAISON BETWEEN CONGRESS AND COMMISSION

Mr. PHILLIPS. Now, questions on the record.

The first is, that the Commission, which is the American Battle Monuments Commission, is an appointive commission which has on it no representatives of the existing legislative body.

I would like to ask your opinion if you do not think it would be helpful if there were that liaison between the Congress and the Commission.

Secondly, it is a commission that does not meet very often. It is not a very active commission. It has seemed to the subcommittee that the Commission should have members who would give more time to the problems of the American Battle Monuments Commission.

Mr. BUSBEY. As I recall it, Mr. Phillips, that was the original intention and I think, if I am not mistaken, that is the way that former Congressman Joseph Baldwin got on the Commission. I believe he was put on it as a Member of the House.

I believe that Senator Maybank is still a member of the Commission, is he not?

Mr. THOMAS. Yes.

Mr. PHILLIPS. Then, I will withdraw my question; I have forgotten that there were present congressional Members.

Mr. BUSBEY. By all means, there should be some Member of the House of Representatives on the Commission.

Mr. THOMAS. There is no Member of the House on the Commission.

Mr. PHILLIPS. But there was Mr. Baldwin.

Mr. THOMAS. He was a Member; at the present time we do not have a Member of the House.

EXPEDITING THE TURNING OF CEMETERIES TO THE COMMISSION

Mr. PHILLIPS. The other question is this:

One of the greatest difficulties we have in the cemeteries is the undue delay between the end of the war and the time that the cemetery is turned over to the American Battle Monuments Commission. The Commission has to wait until the Graves Registration Service of the Quartermaster Corps gets through and until the latter is sure there will be no more burials or transfers.

It seems to me that this committee might suggest to the legislative committee that Congress give responsibility for American cemeteries to the Commission immediately at the end of a war, so they can start the necessary improvements.

For example, your testimony today, which is appreciated by the subcommittee, indicates that it has been 6 or 7 years since the end of World War II before some of the crosses are put in. I have a very high regard for the competence and sacrificing interests of General North and I know that he would have done all of that a long time ago if he could have had the responsibility.

Mr. BUSBEY. My comment on that Mr. Phillips, is that I agree with you 100 percent. Something should be done to expedite this matter of turning the cemeteries over to the American Battle Monuments Commission as soon as possible. It so happens that as of this date all the cemeteries have been turned over to the American Battle Monuments Commission.

Mr. PHILLIPS. Some of them, however, within a year.

Mr. BUSBEY. Yes. The one up in Belgium, Henri-Chapelle, was the last one to be turned over.

For instance, there is this problem. The cemetery at Florence is actually located 6 or 8 miles south of Florence. Now, there was no battle fought in that immediate vicinity. That cemetery is composed of bodies of boys that had been gathered up all over the northern part of Italy and brought into this one cemetery, to have them all together.

It takes time and even now the Graves Registration Service is still identifying unknowns.

Mr. PHILLIPS. Yes, but do you not think they could still be doing that, even though the actual physical responsibility for the ground was in the hands of the American Battle Monuments Commission?

Mr. BUSBEY. Oh, yes, and I think that the Graves Registration Service should have expedited turning over this responsibility to the American Battle Monuments Commission long before it did. I agree with that 100 percent.

Thank you, Mr. Chairman.

Mr. THOMAS. The committee is grateful to you for your very fine report and we further want to commend you for your energy and your effort going overseas and making this real study. Your efforts will pay dividends to the people of the United States and to the Treasury, too.

We thank you very much.

Mr. BUSBEY. If there is any way I can be of service to this committee, I am at your beck and call. I am tremendously interested in this problem and feel that it is one of our worth-while programs.

Mr. THOMAS. Thank you very much.

VETERANS' ADMINISTRATION AND CIVIL SERVICE COMMISSION

WITNESSES

C. H. OLSON, ASSISTANT DIRECTOR OF LEGISLATION, THE AMERICAN LEGION

T. O. KRAABEL, REHABILITATION DIRECTOR, THE AMERICAN LEGION

THOMAS GLANCY, ASSISTANT DIRECTOR OF ECONOMICS, THE AMERICAN LEGION

Mr. THOMAS. We have with us this afternoon representatives of the American Legion.

Mr. OLSON. My name is C. H. Olson, and I am assistant director of legislation, of our legislative program. I am substituting Mr. Glancy for Mr. Lavers, who is unable to be present.

GENERAL STATEMENT

Mr. THOMAS. All right. If you have a statement, we will be delighted to listen to you.

Mr. OLSON. Mr. Chairman, T. O. Kraabel, national rehabilitation director, has a prepared statement. If it is your wish and in the interest of time, he will merely submit it. We will be glad to do so.

Mr. THOMAS. Submit it for the record and summarize it for us. I believe that would be better.

(The statement referred to is as follows:)

The American Legion appreciates this opportunity to comment on certain features of the proposed budget for the Veterans' Administration for fiscal year 1953.

These observations are premised upon the theme of service to veterans and their dependents—a theme that stimulated the inception of the American Legion 33 years ago.

At the same time the organization has in mind the important factors of effective operation and minimum cost in the conduct of VA business. The record—in the VA as well as in the Legion—will show the organization's consistent effort and contribution down through the years to these propositions.

The importance service officers place upon this subject is indicated by the fact that the National Rehabilitation Commission has prepared and distributed approximately 3,100 copies of Rehabilitation Circular No. 4, dated February 13, 1952, on the subject: Veterans' Administration Budget for 1953. Moreover the matter comes up at every national and area rehabilitation conference and at national conventions. The expressions on those occasions come from full time, practicing service officers of the American Legion, who daily have opportunity to observe and experience the effect upon service to veterans when sizable reductions in funds and personnel are required to meet the provisions of a given budget.

There are two items in the measure before this committee that have engaged our particular attention:

1. An estimated 5-percent reduction in the number of people to handle claims in the coming fiscal year.

2. An estimated 30-percent reduction in the number of contact people.

We respectfully urge upon the committee a thorough examination of personnel requirements in the VA claims service in the face of a steadily mounting load of new cases pending adjudication. The Statistical Summary of VA Activities covering the months from July 1, 1951, to December 31, 1951, show the following:

New disability compensation and pension cases pending adjudication, end of month

June	34,150	September	38,131
July	33,406	October	41,013
August	35,758	November	43,148

The above does not tell the whole story. However it is a barometer that cannot be overlooked in making provision for the important function of adjudicating the claims of disabled veterans of the Korean hostilities, of World War II, and even of World War I.

In addition to the aggregate number of living veterans as of December 31, 1951, viz 18,910,000, there are now approximately 4,000,000 in the Armed Forces of this country, the greatest percentage of which are potential veterans. Many of them will have claims which come under the jurisdiction of the VA. Of those already released there were over 3,000 active claims as of November 30, 1951. What the future may hold we do not know, but we do submit that reducing the claims personnel of the VA now when the pending load is increasing, and the potential load of the immediate months ahead is still to be taken into account, may bring about delays and errors particularly damaging to the disabled veterans themselves. This has happened before. The American Legion heartily supports any arrangement that will obviate a recurrence.

The estimated 30-percent cut in contact personnel will bring about the closing of many units and offices where veterans and their folks make their first approach to the VA. Here they submit their questions and seek information on a variety of subjects connected with veterans' benefits or services. Here claims are initiated by those who do not choose to be represented by an accredited organization. These are the outposts of the Nation-wide Government agency handling veterans affairs. Although somewhat restricted in what they may do to assist claimants with the development and presentation of their cases, as compared with the functions of service officers of veterans organizations, they do maintain an effective cooperating and counseling service essential to the Government's program in behalf of its defenders and their folks. Members of Congress are keenly aware of this since they hear directly and promptly from veterans and their folks when this phase of the VA program throughout the country is curtailed.

The American Legion maintains a Nation-wide coverage of service to all veterans and their dependents seeking assistance. Other veterans organizations do so also, in proportion to their membership and means. We act as representatives for those who seek our assistance. By "we" is meant American Legion service officers, members of the staff of the National Rehabilitation Commission, national field representatives and other officials accredited by the VA. The total number approximates 1,000 or more. In addition there are the volunteers—post service

officers and auxiliary workers—who form the solid foundation of the American Legion rehabilitation program. The work of this whole aggregation not only benefits primarily the people served, but it also relieves the Government of a vast amount of development, advisement, and probing tasks connected with VA cases. As extensive as this service of the American Legion and other groups outside of the Government is, it is not sufficient. The contact service of the VA is still necessary. It functions not only as a cooperating and at times complementary service to that of the accredited organizations, but it must always be there to serve those of the veterans population who do not choose to have a representative.

There is another phase of this subject that merits attention at this time. That is the availability of VA contact people to assist in manning counseling and advisement service at separation centers of the Armed Forces.

For the past several months the national commander of the American Legion has endeavored to stimulate action on the part of the Department of Defense and the Veterans' Administration to provide well-informed personnel to serve as counselors at separation points to those being separated from service. The findings of our amputee morale building team and others who have been privileged to visit Army and Navy hospitals during the past year reveal that most of the wounded and disabled of the Korean conflict have little or no knowledge of what their rights and opportunities are after they are separated from service. Moreover, our office has received numerous complaints and examples of recent dischargees who evidently received erroneous information, or no information at all, upon leaving service as to their insurance, compensation, education, and hospitalization privileges. We have made these incidents known to the Defense Department and to the VA. Progress is being made to overcome this deficient service of the past. An informational booklet has been issued and is to be made available to each one separated from service. However, trained counseling and contact people are needed.

We earnestly request that the drastic cut in contact personnel proposed for 1953 be reconsidered, and the whole situation recanvassed to the end that service to veterans, the new as well as the old, will not be impaired; and that the VA will be enabled to join with the Armed Forces, as it did in World War II, in establishing and maintaining a comprehensive counseling and advisement service at Army and Navy hospitals and principal separation centers.

We are continuing our studies of other features of the VA budget for 1953, particularly the breakdown of amounts recommended for medical and hospital services and insurance. With reference to recommendations made by the American Legion on steps that might be taken toward a more economical administration of veterans' affairs, we cite the following. These have come to the national rehabilitation commission from practicing service officers and rehabilitation people who have opportunity to work with the Veterans' Administration:

(*a*) Eliminate the administrative expense of maintaining district offices; decentralize authority for handling death claims to the regional offices, where it was for approximately 7 years prior to 1946; and centralize premium accounts, underwriting and activities connected with the various insurance programs.

(*b*) Reduce the number of divisions heads and supervisory personnel in the various operating divisions.

(*c*) Cloak regional managers with more authority and latitude of judgment as to personnel needs, organizational set-up and administration. The consensus among service officers is that large savings could thus be effected.

(*d*) Reassign functions now in Special Services Division to medical, hospital, and other operating divisions, where they were formerly, thus obviating the necessity of maintaining a separate administrative and supervisory staff over these operations.

Again, thanks for the privilege of appearing before this committee and submitting this statement. We close on the same note as we started: continued and effective service to the American veterans and their dependents.

Mr. KRAABEL. Mr. Chairman and gentlemen of the committee, in summarizing this statement, I want to say that our approach to this is from the point of view of service to the veterans and the dependents of veterans. We have stressed those points only that have appealed to us after studying the budget as it was published, following submittal to the Congress.

CLAIMS SERVICE

We find that in the claims field—and it may not have a particular appeal to many people—but we find there is a scheduled reduction of 5 percent, approximately, in the number of people who handle claims throughout the Veterans' Administration system.

Checking back on the backlog of pending claims, that is, the claims of living disabled veterans coming out of the Korean experience and also World War II and, believe it or not, some vets of World War I, we find that there is a backlog of 34,150 in June, and 43,148 in November. The figures for the last 2 months have not yet become available.

We have invited the attention of the committee to the inverse ratio of a claim pending load on the upswing and a downtrend in the number of people handling them.

CONTACT SERVICE

The second part that we wish to bring out is the reduction in the number of contact people—that is, the people to whom claimants and the folks back home make their first approach, with whom they get their first touch with the Veterans' Administration or with Uncle Sam. They are the outposts, so to speak, of the whole Veterans' Administration system.

Mr. THOMAS. May I interrupt?

Mr. KRAABEL. Yes, sir.

Mr. THOMAS. The American Legion has a big job to do and you boys are doing a good job and you have done so in the past.

However, I wish you would think about how we are going to keep on paying these increasing veterans' claims. We are talking about the administrative side of it. These claims certainly ought to be paid and they are going to be paid if the Government is ever going to get enough money to do that.

This bill is going up every year. We have these increasing war benefits. Now, how are you going to pay for the benefits if they are going to eat it up with administrative costs? That is a spot where there is room for a vast amount of improvement.

Now, you talk about economy, with all of this useless and unnecessary expenditure of funds. In every local community you have a veterans' organization, not one but in the larger towns, and also in the middle-size towns, you have an American Legion Post and you have charitable organizations and others, and yet you have all of these men eating up salaries, doing contact work, whereas there is not a veteran in the whole community that does not know exactly what to do, and if he does not know, then he writes to the Member of Congress or the central office of the Veterans' Administration and finds out.

Mr. KRAABEL. Well, Mr. Chairman, I respect your views. My own views are given on the basis of 30 years of experience in serving these people. We feel that there is a place for both the contact men and the veterans' organizations.

Mr. THOMAS. Well, I am talking about the economy, conserving the funds which are being used now for salaries; they could be paid in benefits for the veterans, rather than paying out salaries.

Mr. KRAABEL. There is one feature of the contact service, Mr. Chairman. There have come to light recently some of the most flagrant

instances of misinformation to servicemen coming out of the Armed Forces. I grant you that the Veterans' Administration may not have anything to do with service personnel. But it can assist in furnishing accurate information to those at separation points. These men and women at separation centers are not informed about what has been provided for them. We have had examples of men coming out who knew nothing about the provisions made by Congress for them until some veterans' organizations, in our instance the American Legion, encountered them in the home community, advised them about filing claims and did what we always do as a service officer.

The possibility comes up, as a temporary measure, that if the Veterans' Administration had sufficient manpower to team up with the Defense Department at the principal separation centers—not all of them but the principal ones—Uncle Sam would be completing the service for these men who have done their part in the Korean fight. That is the second part of the project.

We also make suggestions which come from the service officers in the field about the possibility of reducing the expenditures and making more effective the service by the Government agency to the American veteran and his dependents.

Thank you very much for the opportunity of making these few remarks.

Mr. THOMAS. Thank you very much. Is there any other statement?

GENERAL STATEMENT

CIVIL SERVICE COMMISSION

Mr. OLSON. Mr. Chairman, Mr. Glancy will summarize the statement we have prepared on the Civil Service appropriation if that is agreeable.

Mr. THOMAS. It may be inserted in the record.

(The statement referred to is as follows:)

Mr. Chairman and members of the subcommittee, the American Legion is vitally interested in seeing that the Civil Service Commission is supplied with sufficient funds to operate in the interest of better government and to see to it that provisions of the Veterans' Preference Act of 1944 are lived up to.

It is important at this time to elevate our sights and to think in terms of the future effects of current employment practices on the efficiency of the Government service.

The American Legion has been disturbed about the recruiting methods that are now used and firmly believes that it is essential that the recruiting procedures be reestablished in accordance with merit system principles. This matter requires immediate attention and it is hoped that the Congress will provide sufficient funds so that the Civil Service Commission can proceed to reestablish the integrity of the competitive and merit system tenets of the civil-service system.

The American Legion has made a study, in cooperation with the Civil Service Commission, of its budget request of $22,097,000, which is slightly over $2,000,000 more than that requested for the fiscal year ending June 30, 1952. It is our belief that if sufficient funds had been provided for the proper inspection and investigations program of the Government that many of the scandals now being broadcast might have been avoided and I am reluctant to advise you that there are over 400,000 loyalty cases yet to be investigated by the Civil Service Commission; and as to the number of postaudits that have been delayed, I hesitate to mention. However, it is true that many agencies of the Government have not had a postaudit by the Commission for 18 months or longer. This in itself allows the creeping in of irregularities which, when discovered, cause not only hardships to those involved but lead to scandalous information being circulated that is unfair to the vast majority of Government workers.

It is my understanding that the budget request of the Commission for examining, placement, and veterans' activities is designed to:

1. Restore the civil-service merit-system principles.
2. Correct wasteful recruiting practices.
3. Permit the Commission and its boards of examiners to furnish eligibles who have qualified in open competitive examinations.

(NOTE.—Before Korea, 83 percent of jobs filled in the Federal service were from lists of eligibles drawn up after open competition, but in 1951 (after Korea) only 53 percent were placed by this method. The rest were recruited by the agencies under emergency measures. This lack of competition deprives the veteran of his rightful opportunity to compete for Federal jobs. The Commission's budget calls for a return to the type of recruiting we had before Korea and hopes to fill 67 percent of the jobs in 1952 and 77 percent of jobs in 1953 through merit-system principles.)

4. To accomplish the above by the following means:
   (*a*) Strengthen the boards of examiners in agencies.
   (*b*) Using Commission representatives to recruit in many shortage categories—thus avoid the wasteful methods employed when many agencies' recruiters go out into the same areas.
   (*c*) Replenishing the lists of eligibles which were depleted by heavy demands of prior years and add lists in occupational categories for which lists do not exist.
5. Provide special assistance to veterans in securing Federal employment and guidance to disabled veterans with particular placement problems. For example, in fiscal year 1951, of the total of approximately 18,000 physically handicapped employees placed, 58 percent were veterans. There is a continuing urgent need to assist these veterans in obtaining suitable employment.

INSPECTION SERVICE

Funds requested for this important service will enable the Commission to supply a strong enforcement arm to see that the standards are complied with. This involves:

1. Periodical reviews of agency personnel operations with particular reference to the Veterans Preference Act. For example, during fiscal year 1951, of the total number of about 3,000 violations observed during inspections, there were 680 indefinite appointments made in violation of the priority order specified by the Veterans Preference Act; 209 improper notices to veterans regarding reduction in rank or salary or change to lower grade; and 122 improper removals of veterans through reduction in force or otherwise, without full compliance with section XIV of the Veterans Preference Act. This means that 34 percent of the violations found in 1951 involved veterans' rights.
2. Effective utilization of employees on the payrolls to make most effective use of their skills, and avoid the employment of additional people.
3. Provide leadership and assistance to agencies in personnel matters and programs.

APPEALS SERVICE

Pursuant to the Veterans' Preference Act of 1944 the Civil Service Commission has the responsibility for (1) issuing rules and regulations to carry out the purposes of the act and (2) investigating and adjudicating appeals by veterans from adverse actions by the departments and agencies with respect to Federal employment. The veteran is entitled to a hearing of his case and a determination by the Commission that the regulations under the act have been followed.

The amount included in the Commission's budget for appeals work is most conservative in view of the increasing number of veterans in the Federal service. Any decline in the level of Federal employment will undoubtedly affect large numbers of veterans. It is of utmost importance to the veteran, therefore, that the Commission be in a position to carry out promptly and effectively the full intent and purpose of the Congress which enacted the Veterans' Preference Act.

Attached please find copies of resolutions adopted at the national convention of the American Legion held in Miami, Fla., October 15–18, 1951, and the American Legion urgently hopes that the Appropriations Committee of the House of Representatives will give favorable consideration to the request of the Civil Service Commission for the amount of $22,097,000 in order that those weaknesses now prevalent in the operation of the Commission may be overcome.

The American Legion appreciates this opportunity of appearing before this subcommittee at this time.

AMERICAN LEGION RESOLUTION NO. 585

Whereas it has come to our attention that in many cases, certain Government agencies have ignored and violated the provisions of the veterans' preference law in the matter of appointment of personnel in the civil service: Now, therefore, be it

Resolved, by the American Legion in national convention assembled at Miami, Fla., October 15–18, 1951, That we deplore and condemn such violations of the veterans' preference law and request the United States Civil Service Commission to make such investigations and take such actions as necessary to protect the rights of veterans in this regard; and be it further

Resolved, That Congress be petitioned to appropriate sufficient funds to permit the Civil Service Commission to carry on an adequate inspection of the application by Federal agencies of the Veterans' Preference Act of 1944.

AMERICAN LEGION RESOLUTION NO. 584

Whereas at the present time responsibility for administration of the Civil Service Act, and rules issued pursuant thereto, and the Veterans Preference Act of 1944 rests with the Civil Service Commission; and

Whereas in carrying out its responsibility under provisions of the Veterans' Preference Act, the Civil Service Commission has supervised the granting of 5 or 10 preference points in examinations to certain classes of veterans, and the establishment and use of eligible registers in accordance with the provisions of that act; and

Whereas the veteran has the right to appeal to this agency only as long as the United States Civil Service Commission has sufficient funds to continue operations; now therefore, be it

Resolved, by the American Legion in national convention assembled at Miami, Fla., October 15–18, 1951, That the Congress of the United States, the President of the United States and the Bureau of the Budget be petitioned to allocate the sufficient funds to the United States Civil Service Commission to carry out its positive recruitment program; and to see that honorably discharged veterans of all wars receive the preference granted to them under the Veterans Preference Act of 1944 and all appointments made under revised regulations.

VETERANS' PREFERENCE ACT

Mr. GLANCY. We are primarily interested in the proper administration of the Veterans' Preference Act of 1944.

The Veterans Preference Act, just as any other act, is only as strong as the enforcement behind it. Its effectiveness is very closely connected with the merit system and consequently our interest extends to the proper enforcement and administration of the merit system.

The Civil Service Commission has, as we see it, three arms which enforce the merit system and consequently the Veterans Preference Act. These are the investigation service, the inspection service and the examination procedure service.

I do not recall the exact figure but prior to the Korean conflict approximately 81 percent of the positions filled in the competitive service were filled through the utilization of Civil Service registers.

Since the Korean conflict and with the resultant expansion in Government personnel, the Commission has not had sufficient funds to perform adequately the examining and investigating functions and, in those instances where the agencies hire direct, the Commission has not had sufficient funds to do a proper inspection job, in our opinion.

We do not feel that we can have a merit system unless it is properly enforced by a central agency.

The prepared statement is a little more detailed as to how the Commission has failed, through lack of appropriations, in their investigation service and I believe you probably have adequate figures on that from the Commission itself.

The American Legion sincerely believes that the Commission should have adequate funds to do the examining and certification itself wherever possible and therefore see that the provisions of the Veterans Preference Act are enforced.

Mr. THOMAS. The committee, if I can interrupt, adopts your point of view. The only difference is that we think they have enough funds for that purpose and we go a little bit further than you do in your statement.

The committee thinks that the veterans are entitled literally to that preference. We believe that the men who serve in the armed services are certainly entitled to more consideration than the civilians. I have oftentime wondered when you see a lot of people in the Government service that were not in uniform during World War II and who are now holding fairly good jobs in the Government, when we know that we have just as many intelligent veterans that have the same amount of ability to do that work just as well. Perhaps it is something which the American Legion could make a part of its duty, to ferret out those spots and ask the question, "How come?" Excuse me for the interruption.

Mr. GLANCY. Of course, Mr. Chairman, the problem is that while the man is away in military service in most instances he does not have the opportunity to advance.

If a man is in Government service and he goes into the military service, during the period that he is in the military service he does not have the opportunity for promotion as do the other employees. This is a problem that it is difficult to reconcile by legislation.

Mr. THOMAS. Well, there are a lot of problems, particularly about the people that now hold jobs and held them during the war. We have these instances where these people have been promoted not within the grade, but where they have jumped three or four grades. Yet, when the shooting was over and the veterans came back home able and were willing to do their job—well, I think then that the boy who got too important during the war to be put into uniform, to go into the service, but who had to have that job, he certainly ought to yield to a veteran.

Mr. GLANCY. That is certainly true, and I know from my personal knowledge of many men who during World War II came back to find former subordinates as their supervisors.

Mr. THOMAS. It is a problem; but there is much merit in your contention.

SCANDALS IN AND OUT OF GOVERNMENT

Mr. GLANCY. I have just one more thing to say.

Mr. THOMAS. All right.

Mr. GLANCY. In connection with the recent scandals in Government. I believe that, if a detailed study were made, you would see that most of these positions connected with scandals were positions not under competitive civil service.

That is another consideration which seems to strengthen our contention that a more strongly enforced competitive Civil Service System would be not only in the interest of the veterans but to the interest of the Nation generally.

Mr. THOMAS. I have been interested in the American Legion, and of course you have your hands full, going all over the United States and doing your day-to-day duties, and so perhaps we could not be expecting you to police the Nation.

But one of the things coming out of the Second World War for the veterans was the GI education and trainee program. Now, there has been more waste and more headaches in that program. I think that the American Legion missed a golden opportunity, in my opinion, to sort of police that situation. Of course, I know you have other duties, but you certainly had a beautiful chance there. You were there on the ground, you were at the Legion posts throughout the country and you had daily contact with that situation.

You could have pointed out these things, you had a capable staff of people who could take a look at it and who could police it better, who could discuss it with the veterans generally that were not getting any benefits out of that program, and if you did that you would increase the standing of the American Legion.

It is a great organization. We all know that, but I hope that you can in the future take the time and energy to sort of unofficially take a look at those programs.

A House committee has gone out and uncovered a whole lot of things, maybe nothing outstanding, but a whole lot of derelictions, and I think when they are added up they run into millions of dollars which could have been used for benefits.

I am just throwing out that suggestion.

Mr. GLANCY. Thank you, Mr. Chairman.

Mr. KRAABEL. Mr. Chairman, looking back over our record, 8 years ago when they were framing and advocating the GI bill of rights and the Servicemen's Readjustment Act, we find in this very field the testimony of Harry W. Colmery, the past national commander, who argued for the final determination of which schools the veterans would avail themselves of—that was let into the hands of the administrator but the decision was that the school agencies of the respective States would be recognized. Well, some are good and some are not so good.

Our file is very replete with our efforts in those days. We put a man on our staff who was devoting his entire time to educational matters and he is still with us. For 4 years we had an advisory committee of outstanding educators on different types of schools, counciling with us. But, we had no police power, as a Federal agency; they all wanted the Administrator to have the final word.

Mr. THOMAS. Well, we realize that that has been an extracurricular activity.

Mr. KRAABEL. I just wanted to make the point.

Mr. THOMAS. I want to say that I believe that there is no organization on earth that could bring to bear good judgment of public opinion upon all of these things as the American Legion.

You have your posts in every town of any size, and anything affecting the veterans can be brought through the American Legion into light, before the attention of the locality, before the public opinion there.

If it were a matter of enforcement of each one of these various activities, you would have to have an enforcement agency almost the size of an army, whereas in the American Legion we have got the best army on earth back in the local home towns, the American Legionnaires.

Mr. KRAABEL. Our records are available to the committee and our annual reports, for the activities for the years that the GI bill is concerned in, that the Legion was most active, and there is a summary of the testimony and the efforts we have made, and those records were made available to our new national commander so that he would know what we did in those early days while he was still in uniform.

I would say that we do wish we had more police powers than we have.

Mr. THOMAS. Well, gentlemen, thank you. We are very proud of you for your good efforts. You are doing an outstanding job for the Legionnaires and we hope that in the future you keep up your good work. Thank you very much.

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